PREM 19/3496

SECRET

~~PART 1~~

NO FILE COVER

Confidential Filing

The Prime Ministers occasional bi-laterals with various Cabinet colleagues.

PRIME MINISTER

December 1985

PART 1

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~27.5.89~~		~~10.4.91~~					
~~4.9.89~~		3.5.91					
~~5.9.89~~							
7.9.89							
~~11.9.89~~							
~~22.9.89~~		PART 1 ENDS					
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Papers removed from file

Date 18/4/91

NEC to PM 10/4/91

CS to NEC 15.3.91

PM occasional notes Dec 88

PART 1 ends:-

J. Hill [redacted], to Pm 10.4.91

PART 2 begins:-

BP to Pm 3.5.91

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PRIME MINISTER

5th April 1991

BILATERAL WITH MR KING

You are to see Mr King on Monday 8th April.

The most important aim of the meeting from your point of view will be to maintain the pressure on Mr King to stick within his tight budgetary limits. The MoD remains the leading source of savings that are needed for the Government's priorities elsewhere.

Expenditure Targets

'Options for Change' was designed to reduce defence expenditure from 4 per cent of GDP in 1990 to the EEC average of 3 per cent by the end of the decade. Last year's PES settlement reflected this target.

	1991-2	1992-3	1993-4
Cash provision (£bn)	22.8	23.6	23.4
% GDP	3.8	3.6	3.4
Real % change	-3.3	-2.2	-3.2

Realisation of Savings

Achievement of this year's target has of course been made impossible by the Gulf, which has not only incurred direct costs but has also delayed savings. Consequently, the Chief Secretary agreed on 28th March a potential gross claim on the reserve of £1490 million for 1991-2.

Net.

Now that the war is past, the impetus needs to be put behind 'Options for Change' once again. MoD officials have been muttering that the costings underlying Options may have been over-optimistic for 1992-3 by perhaps £2 billion. This would

be unacceptable and, if true, must lead to a re-examination of the underlying policy assumptions.

Mr King should leave the meeting with no doubt that you are expecting him to realise the Options savings.

Looming Decisions

It is in this light that a number of impending decisions should be viewed.

long way away: tbf. ?

a) Rosyth

A draft report on the future of the base has been circulated within MoD, and will be submitted to the Navy Board on 2nd May. The paper proposes two options, complete closure or partial closure, but makes no recommendation. Mr Hamilton is expected to receive a recommendation by mid May.

b) New Main Battle Tank

Officials concluded that on military grounds (inter-operability of the gun) and cost, the preferred option for the Chieftan replacement was the German Leopard II (Improved). Mr Clark believes that following the good performance of Challenger I and of Vickers during the Gulf war, this choice would not be the correct one politically. It would mean the loss of potential exports and possibly of Vickers' MBT capability. Vickers proposed a lower offtake of 32 tanks per annum as a way of circumventing the MoD's budgetary problem, and the other contenders have now been asked to submit bids on this basis. Officials believe, however, that even this low offtake would breach budget limits, and would require something else to be dropped or delayed.

A revised proposal is due to be reviewed at EPC on 17th April.

c) **EH101 Helicopter**

Mr King is seeking a decision on the future of this programme in May. The EH101 is a joint development by Westland and Agusta of Italy, and is primarily for naval anti-submarine use. In 1990, the project was four years late and £800 million (45 per cent) over budget. At OPD on 4th June 1990, Mrs Thatcher ruled that no decision to take the project forward would be possible unless a prime contractor would undertake to guarantee the performance and cost of the helicopter. Bids from potential prime contractors are now in, and are being further negotiated, but it seems that no contractor has been willing to provide a full guarantee. Cancellation of the EH101 thus looks a likely outcome.

Management and Efficiency Gains

You might also like to ask Mr King how he is progressing in his shake-up of the efficiency and effectiveness of his Department. In particular:-

a) How does he propose to speed up contractorisation, and what scope is there for privatisation?

b) Five Agencies will be established this month. How many more will follow?

c) Land and buildings disposals will amount to £80 million this year, compared to expectations of £150 million. Given possible total assets worth some £20 billion, how can these receipts be increased?

d) Following the Procurement Executive's move to Bristol,

what further scope is there for relocation?

e) Now that the New Management Strategy is in place, and the Efficiency Programme is complete, what are the plans for further organisational reform?

ALAN ROSLING

035.ar

PRIME MINISTER

BILATERAL WITH THE DEFENCE SECRETARY: 1130, MONDAY 8 APRIL

The Defence Secretary is calling on you on Monday. The main issues for discussion are likely to be:

Options for Change

The message I keep getting from the MOD (including from the new CDS this week) is that decisions cannot be delayed much longer. The MOD say that inflation has already made it impossible to stick to the targets laid down last year. They claim to be less afraid of further cuts than of unwillingness by Ministers to take decisions for political reasons. They are afraid, for example, that they will be told to keep Rosyth but to cut back on equipment. They think that the Gulf War showed how dangerous such a policy would be. Another example given me was the decision to scrap the post of GOC Wales. The Army are apparently quite happy with this on military grounds, but the Secretary of State for Wales is unhappy for political reasons. Sir Michael Quinlan told me that decisions could be delayed until June, but no later.

You may want to ask Mr. King how he sees the timing of proposals to OPD. See also Alan Rosling's note below.

New Main Battle Tank

Sir David Plastow has now written to you seeking to take up your offer to talk to him about a successor to the Challenger tank. The pressure from Vickers for the Government to order at least some new tanks is strong, but the MOD are not yet in a position to make recommendations. On technical grounds, they seem unlikely to want Challenger II, and would probably prefer to go for the American tank or the German Leopard. On cost grounds,

they may want to consider not going for a new tank at all at this stage. You may want to get an idea of Tom King's thinking on this and of the timing of recommendations. Some thought has been given within MOD as to whether to try to take decisions before the May local elections, but Tom King has decided against this on the grounds that a decision in favour of Challenger II would not have a strong positive effect, whilst a firm decision against would be strongly negative.

The Gulf

You may want to talk to Mr. King about the timing of the Gulf run-down following the announcement that we would be keeping a battle group in the area until June. The MOD have, as you know, considered the question of military escorts for supplies going to Kurdish refugees, but believe this would be operationally risky.

Since drafting the above we have announced our support for the US relief operation. Mr King will obviously want to discuss that with you.

Stephen

J. S. Wall
5 April 1991

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PRIME MINISTER

BILATERAL WITH THE INDUSTRY SECRETARY

You have another in the series of bilaterals with Cabinet members tomorrow - with the Industry Secretary.

I attach, as background, Mr. Lilley's short agenda and a note from the Policy Unit.

First, three background points:

(i) Curiously, Mr. Lilley's agenda makes no reference to ECGD. Yet it accounts for around one quarter of total departmental spending. And there is a bitter dispute underway about the new PMS system and offsetting credits.

(ii) There is also no reference to takeovers policy. Yet that is one of the more controversial issues facing the Department: should takeovers of UK firms by state-owned foreign firms be allowed?

(iii) The Treasury's view is that DTI has lost its way and is becoming self-obsessed. That is reflected in the agenda - (note the references to presentation, machinery of government issues, coordination etc). It is also evident in the departmental report: the aims are stated clearly; the translation into programmes is less happy.

You might like to work through Mr. Lilley's agenda as follows:

Post Office

The key issue is privatisation. Over the years there have been many plans to break the Post Office monopoly on letter delivery. And several services have been separated and sold off, eg Girobank.

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Mr. Ridley was working on a plan last autumn. But no new proposals have emerged since from DTI. Treasury has provided a paper which DTI officials regard as "helpful". But there has been no formal DTI response. Extending competition may be getting more priority than privatisation. What are Mr. Lilley's proposals?

Innovation

Innovation and regional assistance are the remnants from the wider intervention in industry of the past. Aids for specific industries like shipbuilding, steel etc have all but gone. But there remain a plethora of innovation schemes in place: successive Industry Secretaries (including Mr. Lilley) have introduced new schemes faster than they have been able to wind up their predecessors.

You may like to ask Mr. Lilley the following.

* Are the existing schemes being rigorously pruned?

* How well are the successful schemes being marketed?

* How effective is the Department's research into what are the most successful schemes in VFM terms?

Regional Policy

The programmes are now regional selective assistance and the smaller regional enterprise grants. The Government has always faced the difficulty of balancing the theoretical case for non-intervention (distorting market forces, preventing outward migration, wage adjustments, etc), against the need (which has political, social and economic aspects) to compete for international mobile investment. For practical and political reasons, not least the reliance of Scotland and Wales on a continuing flow of new mobile projects, the RSA system needs to be kept.

That said, you may like to ask Mr. Lilley:

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* Is the balance within his programme right? Should the Government be spending as much on regional assistance as it is on innovation?

* How is the right balance struck between an RSA system that keeps the UK attractive to international mobile investment, but does not bribe inappropriate projects to come to the UK?

* Are the criteria right: what should be the relative weights on innovation, marketing, jobs created, size etc?

Integrated delivery

This is one of a number of references to the delivery of DTI services, presentation, integration etc. DTI wound up the so-called market divisions last year. They had provided a single contact point for industry representations.

The bad side was that they became a focal point for lobbying; the good was that information and marketing of DTI "products" was delivered by these divisions to their clients.

You might like to ask Mr. Lilley the following:

(i) Does he have ideas for improving the delivery of DTI services? Can each product division also take responsibility for individual market areas?

(ii) Are DTI regional offices still appropriate and good value for money?

(iii) One idea is a "one stop shop" approach - a single location in each region where DOE, DTI, DEm and Customs can integrate services to small businessmen. Chambers of Commerce and TECs could be brought in. Is this a Manifesto prospect?

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Deregulation

There was long correspondence in the autumn about the future of the deregulation unit. Inevitably, a unit like this can run out of steam, and Treasury were quite keen to cut it back further.

However, the deregulation unit survived and a new work programme was devised. Yet some elements of it (attached) looked, at best, fanciful.

* Is Mr. Lilley content with the proposed work programme? Is there a better way of taking forward the deregulation initiative?

Machinery of Government

There are at least three issues here you might like to explore.

First, the future of the Department of Energy. Now that the Energy Secretary has announced his retiral after the next election, an opportunity presents itself to wind up the Department. Is this what Mr. Lilley proposes?

Second, the DTI still has some minor residual responsibilities for education and training. Some will be transferred to the Employment Department in 1991. But two remaining small programmes, the teaching company scheme and the work related curriculum programme, might be transferred to DES.

Third, and most awkward, is the future of the City Action Teams. Mr. Heseltine wanted to take these over; equally, Mr. Lilley resisted. You concluded you would not press Mr. Lilley. Mr. Heseltine is aware of that and is no longer pressing. But you need to tell Mr. Lilley. (Of course, if one moved to the "One stop shop" approach, this problem might be resolved.)

BHP

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BARRY H. POTTER

20 March 1991

C:\wpdocs\economic\industry (pmm)

JG rang before you'd had a chance to see this minute, and while you were resting.

He's in Lichtenstein at a dinner he can't come out of, but dearly wants a word this evening and will ring after it's over.

SPOKE.

Hope OK.

JEAN

17/3

(1)

PRIME MINISTER

IN LICHTENSTEIN - ONE HOUR AHEAD

'PHONE CALL FROM THE AGRICULTURE SECRETARY

Mr Gummer's Private Office have pressed for a slot on Sunday in which the Agriculture Secretary could telephone you.

We have probed hard to find out the subject matter. All we have managed to extract is that the call will be about a matter which is political in nature and about personnel.

Accordingly, we have indicated to Mr Gummer that a 'phone call around 5 p.m. on Sunday would probably be the best time.
Mr Gummer has assured us that the matter will take no longer than five minutes.

BHP

Barry H Potter
15 March 1991

c: Gummer (MJ)

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MEETING RECORD

SUBJECT & MATTER

KW

economic/transport

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

14 March 1991

PRIME MINISTER'S BILATERAL WITH YOUR SECRETARY OF STATE

Your Secretary of State held a bilateral discussion on transport policy with the Prime Minister yesterday.

This letter should be copied ONLY to Ministers and officials directly concerned with handling the subject of the letter.

Opening the discussion, the Prime Minister noted that both your Secretary of State's recent statements on aviation matters had gone well. Your Secretary of State said that, although Lord King of British Airways (BA) had inevitably been difficult, in practice BA had done reasonably well in terms of the changes in landing rights. Indeed the US airlines were furious at BA having obtained more landing rights in the US as a result. Virgin, although the weakest of the four British companies, was in some respects the most dynamic. They had secured new landing rights in Japan. The new arrangements had helped to secure the interests of UK airline passengers - which were not of course always fully in line with those of UK airlines.

The Prime Minister also asked whether, in the light of the collapse of Air Europe, the bonding scheme, which currently applied to charter air travel, should be extended to scheduled air services. Your Secretary of State said that he was considering policy further in this area.

Turning to railways, your Secretary of State said that UK railways had a poor reputation. Passengers, particularly in the light of experience in travelling on European trains, wanted a cleaner and more efficient rail system. In recent years, Government policy had been directed to two main objectives: the introduction of modern, confident and efficient management at British Rail (BR); and the necessary investment to improve and enhance the railways. In retrospect the investment record throughout the 1960s, 1970s and early 1980s had been poor - low in volume and often misdirected. There had been a dramatic increase in investment over the last 3-4 years. And while there had been initial troubles, the investment programme was now going ahead well. Inevitably however it would be some time before the benefits flowed through to passengers.

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The new Chairman of BR had initially failed to grasp the financial practices in the public sector. The collapse of the property market, and problems of higher operating costs and lower revenue, had absorbed resources within BR's EFL which he had wanted to direct to investment. It was a feature of all transport investment, both rail and road, that the costs of individual projects were staggeringly high. Correspondingly delays in carrying projects forward added to the costs to be faced in later years.

Government policies on management and investment pointed to privatisation of British Rail as the long term solution. The principle of privatising BR had been announced by his predecessor at the last Party Conference. But there was no precedent for a successful privatisation of such an organisation making heavy losses. Even the freight and inter-city businesses only made a small profit. The losses at Provincial and Network South-East (NSE) remained huge.

The major issue now was not whether to privatise British Rail but how it was best done. The Freeman/Maude/Redmond group had recommended the break up of BR and privatisation of component parts. However BR was subject to intense competition from road and air travel: so there was no necessary competition argument for breaking up BR prior to privatisation. The best prospect of achieving privatisation within a single Parliament might arise if BR were maintained as a single entity. That was also the Chairman's view. The key was to privatise NSE: that would come later if BR were broken up before privatisation. However your Secretary of State said he had reached no final view and proposed to discuss the approach to privatisation further with the Chancellor.

The Prime Minister said that, like the Transport Secretary, he favoured better coordination in transport policy and wanted to see BR usage increased. He also fully shared the objective of getting BR into private ownership. His initial inclination was to prefer piecemeal privatisation. There were two approaches either by region or by business sector. The latter seemed preferable. It could be managed on a rolling programme. It might also be sensible to open up BR track to other operators (your Secretary of State indicated this was already happening and could be extended further). And for loss-making services there might be a case for offering a dowry to a private operator willing to take them over. One possible approach might be to see whether Treasury could be persuaded that the privatisation would bring in relatively little resources to the Exchequer. If so, the sale proceeds might be 'geared' back into the industry in advance through investment to raise performance and potential for future profits.

Summing up this part of the discussion, the Prime Minister said he agreed with your Secretary of State that no decision should be taken at this stage on the form of privatisation. A clear commitment to privatise BR (though not on the form) must be included in the manifesto. Such a policy was likely to be popular both within the Party and with the public, though it

would be important to persuade the public that privatisation would lead to improved rail services rather than higher ticket prices. Your Secretary of State would explore further with the Chancellor the relative merits of different approaches to privatisation. More immediatly, proposals including any necessary legislation, should be brought forward to open up the track to other private operators. It would also be necessary to consider further with the Treasury the proposed high speed Channel rail link. While there was some private sector interest, your Secretary of State thought it might be necessary to change the legislation in order to include a public sector element. That idea would clearly need to be discussed further with the Treasury.

Finally your Secretary of State discussed shipping. He noted that Lord Sterling's lobbying had been very difficult. It remained very likely that Lord Sterling would reflag the P&O fleet almost irrespective of any action that might be taken to help the UK shipping industry. He was not persuaded there was an economic case for intervention either to give capital allowances or preferential treatment for seafarers tax and NIC liability. But there could be a strategic defence case and he was conscious that the Early Day Motion already signed by over 300 MPs might lead to difficulties in the Budget. The Prime Minister noted that his understanding from the Defence Secretary was that no defence case could be made.

Noting that the discussion had not yet explored other issues on road and rail transport, the Prime Minister indicated that a further meeting with your Secretary of State should be arranged as soon as practical.

BARRY H. POTTER

Peter McCarthy, Esq.,
Department of Transport.

chex.kf/kg/23

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

13 March 1991

Barry Potter Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Barry

PRIME MINISTER'S BILATERAL WITH MR HOWARD

... As promised, I attach a brief on training that the Prime Minister might use in his bilateral with Mr Howard tomorrow.

Yours

Kate

MISS K GASELTINE

TRAINING

We understand Mr Howard is calling on the Prime Minister on 14 March and may put to him then his proposals for a White Paper on training. We do not know what the Department of Employment have in mind but we suspect their plans may include:

a. Employment Training (ET)

2. Mr Howard announced an additional £120 million for the ET programme in 1991-92 on 26 February. This was designed simply to bring the number of "starts" on the ET programme back to the level of 245,000 which Mr Howard envisaged for 1991-92 when he decided to cut ET provision by about a third, as part of his Survey settlement. The additional money will thus smooth the rundown in ET which DE are required to achieve.

3. The extra spending on ET will not necessarily tackle the problems of those with special needs but could do so, if Mr Howard directed the TECs to use the money in this way.

4. However, Mr Howard has already indicated (his letter of 1 March to the Chief Secretary) that he would like to spend a further £320 million gross (£206 million when assumed benefit savings are taken into account) on ET in 1991-92. This would bring the average number of filled places on ET to 195,000 - 10,000 more than when Mr Howard decided to cut the programme substantially last autumn.

5. We believe additional spending on ET offers poor value for money:

- on the latest figures, only 32 per cent of trainees are still in a job 3 months after leaving the programme (8 per cent of whom are in part time jobs) and only 5 per cent are in self employment;

- it costs around £4,500 to remove one person from the unemployment register through a place on the ET programme.

b. Training credits for adults

6. Such credits could either be confined to the unemployed or extended to the employed too:

(i) Training credits for the unemployed might substitute for ET in the longer term. However, they are likely to prove more expensive, partly because of the costs involved in setting up a new scheme and partly because the individuals concerned may opt for more expensive forms of training. (Pilots for young people, covering about 10 per cent of 16-17 year olds eligible for the YT programme, are alone estimated to cost an additional £25 million in a full year.)

If all those currently eligible for ET, rather than just those assumed by the Employment Service to be likely to benefit from the programme, were given credits, the net cost to public expenditure could be high, since other programmes designed to help the unemployed find work (Jobclubs, the Job Interview Guarantee Scheme etc) are typically cheaper than ET.

(ii) Training credits for the employed could be very expensive indeed: at present the Government looks to employers to finance the cost of training their employees. Mr Howard may claim that employers are not prepared to pay for training which is not directly job-related but that this is the form of training the economy needs if we are to have a flexible workforce in future. However, the tax relief for training to be announced in the Budget (see below) should go some way to tackle this problem.

(iii) "Assessment" credits: Mr Howard may promote these in preference to the first two options. We assume they would be designed to enable the recipients to look wider than the Employment Service for counselling and advice. They would almost certainly involve a net addition to public expenditure.

c. Career Development Loans (CDLs)

7. These are loans provided through three high street banks to those who wish to take up vocational training. DE pay the interest on the loans for the training period and up to 3 months afterwards and guarantee a proportion of each bank's CDL portfolio. There is currently provision of £5.3/7.1/8.7 million for the scheme over the next three years but we believe Mr Howard may want to extend it significantly and increase the number of banks who participate. However, we ourselves have some doubts about the continued rationale for the existing scheme, given the new tax relief for training.

TECs

8. We assume that Mr Howard will want most of this additional expenditure delivered through TECs. However, the TECs have not always tackled their existing responsibilities in the way the Government intended (eg preferring to concentrate on skill shortage trainees and labour market returners - not Government priorities - to the detriment of those with special needs) and have not yet had the opportunity to demonstrate how well they can run training credit programmes. (The first credit pilots - for young people - do not become operational until next month.) We also have some reservations about the quality of financial management in TECs. Sir Geoffrey Holland, as DE's Accounting Officer, had to send their Chairmen a stiff letter in December, following some disturbing findings from an initial series of internal audits.

9. Against this background, there must be some concern as to whether it would be wise to add yet further to TEC budgets and responsibilities at this stage. Moreover, the TECs are already a powerful lobby in favour of increased public expenditure. Increasing their remit would inevitably add to those pressures.

Context

10. Mr Howard's proposals have to be seen against the background of the additional employment measures already agreed for 1991-92 and the further bids he is currently mounting.

Expenditure already agreed for 1991-92

11. Treasury Ministers have agreed a further £175 million for the Employment Programme in 1991-92. Of this, £120 million for ET has already been announced but there is a further £55 million to come in the form of a £38 million addition to the Employment Service's running costs and £17 million to finance a more extensive interview at the 13 week stage of unemployment.

12. The Chancellor will also be announcing in the Budget the introduction of tax relief for training from April 1992 at an estimated cost of £20 million in 1992-93 (including £5 million of public expenditure) and £40 million (including £10 million of public expenditure) in a full year.

Further bids

13. On top of this, Mr Howard is also seeking

- provision for a temporary employment programme as a complement to the extension of the ET programme proposed above. He estimates that this would cost £110 million gross (£67 million net of benefit savings) in 1991-92 and £340 million gross (£204 million net) in a full year, plus some additional running costs (£8-12 million in 1991-92 and £12-15 million in a full year);

- a national scheme of training credits for young people. DE estimate this would cost an additional £250 million a year in its full form, probably introduced over five years. DE would like a starting date of April 1992; DES would prefer April 1993;

- an extension of Compacts to extend DE influence in schools as Government support for the Technical and Vocational Education Initiative (TVEI) comes to an end. Since there should be some saving on the closely related Education/Business Partnerships, the net cost is likely to be around £1½ million in the first year and £4½ million thereafter. This would be pump-priming expenditure with a cut-off point but DE have not yet come to a decision on how long they want Government support to last;

- additional provision for the Careers Service, on whose future direction Mr Howard plans to go out to consultation very soon. Although we expect the consultation document to suggest that any proposals it stimulates should be capable of being financed broadly within existing resources, we gather Mr Howard will probably be pressing for some small sums (say, £2 million a year) to pump prime voluntary partnerships between LEAs and TECs in the careers field and that he will be seeking a further £11¼/1-1½/1-1½ million to improve the quality of the Careers Service and careers education. DE do, however, already have a Careers Service Strengthing Scheme worth £19-20 million a year.

National Training Targets

14. It is possible that Mr Howard may press for some form of Government commitment to national training targets over the coming years. His predecessor announced, without proper clearance, a series of "world class" targets at the end of 1989 but the then Prime Minister disliked them both because of their corporatist flavour and because blame for any failure to meet them would be laid at the Government's door, even though it did not fall wholly within the Government's power to deliver, thus provoking calls for

increased expenditure. DE have subsequently distanced themselves from Mr Fowler's targets and although the Government's refusal to endorse them has led to ritual complaints from the CBI and TCU, from time to time, Ministers' position is well understood. We continue to see dangers in entering public commitments of this kind.

HM Treasury
13 March 1991

Mr Potter
Can we have a word. A meeting of this kind needs careful handling & it is not to lead to excess expectations, demands for Railway Users Committee to attend, and pressure on HMT & Spend. Would a private dinner with Reid and the new LRT equivalent achieve as much with fewer risks. Should this be covered in your brief? AT 12/3

MR TURNBULL

Following the conversation we had, the Prime Minister feels that the idea of having a conference or seminar on Public Transport and the level of service provided should be included in the meeting with Malcolm Rifkind.

I have had a word with Malcolm and he is aware. The basic concept would be to have a meeting with providers of public transport to discuss and highlight the need to improve services to the public with the emphasis being on services.

AT

pp GRAHAM BRIGHT
12 March 1991

POLICY IN CONFIDENCE

CCS/MP

THE DEPARTMENT OF TRANSPORT

SECRETARY OF STATE FOR TRANSPORT

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

My Ref:

Your Ref:

Andrew Turnbull Esq
Principal Private Secretary
10 Downing Street
LONDON
SW1A 2AA

12 MAR 1991

Dear Andrew,

MEETING BETWEEN THE PRIME MINISTER AND THE SECRETARY OF STATE FOR TRANSPORT: 13 MARCH

I attach the proposed Agenda for the meeting between the Prime Minister and Mr Rifkind at noon tomorrow.

Mr Rifkind has also asked me to send you the attached note about British Rail, which the Prime Minister might find helpful background material for the discussion on Item 1.

Yours sincerely

Simon Whiteley

S C WHITELEY
Private Secretary

POLICY IN CONFIDENCE

POLICY IN CONFIDENCE

MEETING BETWEEN THE PRIME MINISTER AND THE SECRETARY OF STATE FOR TRANSPORT: 13 MARCH

AGENDA

1. Investment in road and rail infrastructure
2. British Rail Privatisation
3. Future of UK shipping industry
4. Aviation competition and access to markets
5. Bus deregulation in London

BRITISH RAIL

1. Railways throughout Europe are experiencing a renaissance. After decades of gradual decline, demand for rail services is now growing, helped by congestion in the air and on the roads, by the development of new railway technology and the construction of the Channel Tunnel.

2. British Rail is in a far stronger position commercially than the continental railways, which have been highly subsidised and protected against competition. But the quality of BR's services compares unfavourably with most other railways in Europe and the Western world, particularly on Network South East, where peak services are unreliable, late or overcrowded; and - with notable exceptions - the staff often appear to the customers to be unhelpful and badly organised. Although the public criticise BR - and other railway operators like London Underground - they also believe that the Government should put more money into railways. Politically this is becoming increasingly difficult to handle. Our own backbenchers and supporters are amongst the most critical.

3. There are in my view two fundamental reasons for the current problem. First, despite the considerable improvements made by the previous Chairman, BR's management is still not nearly as good as it needs to be. Over the years, BR has not attracted new recruits of the quality needed to run this huge, complex and risky £3bn business. Secondly, during the 1970s and early 80s, the general level of investment was far too low. Since we took office, we have succeeded in getting the level of BR's subsidy down and releasing funds in the late 80s for their growing investment programme. Further and very large injections of capital will be needed, however, if we are to meet the public's expectations for a modern, efficient, reliable and safe railway.

4. These are strong arguments for privatising British Rail. It would bring new blood into the railways and improve management at all levels. It would free railway investment from public expenditure constraints. Our aim should therefore be to privatise British Rail

and - if possible - to legislate and complete the process in the next Parliament.

5. This will not be easy. Although British Rail's commercial position has improved enormously in the 1980s, it is still weak in many of its key markets and the major investment programmes that will be needed - particularly for London commuter services - may not be financially viable over the timescale that is needed. Substantial real fares increases may be economically justifiable in the South East. But, politically, they are hard to defend unless quality is first raised to a much higher level. So when we privatise BR we may have to prime the pump with a major injection of publicly funded investment. There is a precedent in the provision we made to enable water privatisation to go ahead.

6. We shall also have to decide how to respond to BR's proposals for the Channel Tunnel rail link which is likely to be needed by early next century if international services through the Tunnel are not to become increasingly unreliable because of a shortage of capacity on the existing NSE commuter lines.

7. In consultation with the Treasury my Department will be reviewing BR's financial prospects over the coming months and considering the implications for the form and timing of privatisation.

PRIME MINISTER

BILATERAL WITH THE TRANSPORT SECRETARY

You have a bilateral with the Transport Secretary tomorrow at 1200. I attach the agenda and note from Mr. Rifkind. Also attached are two briefing notes from the Policy Unit.

The agenda is broadly satisfactory. But, in the time available, you might want to take items 1, 2 and 5 in that order, leaving 3 (shipping) and 4 (aviation) till the end.

Rail services

The background is well known. The public's appreciation of British Rail (BR) is of low standards of service (lateness, non-running, overcrowding, rudeness of staff); poor quality rolling stock (whether old, or new and inefficient "wrong kind of snow"); and lingering worries about safety standards.

The Government's response has been to put more money into investment and to appoint a new Chairman. Massive new investment is planned (60 per cent real increase for BR, a 100 per cent real increase for London Transport); yet far from resolving problems, the investment seems to have added new difficulties. And there is general management failure, particularly financial management in terms of planning, budgeting and control.

The questions you might ask are as follows

(i) Is the balance in the investment programme now right? (Earlier, the limited money available was mis-spent e.g. on stations, not services.) Is too much going into the big prestige projects on the Channel Tunnel not enough into commuter services?

(ii) Why are investment plans so awry? (In 1990, the estimated costs of the Channel Tunnel went up by 28 per cent in real terms; those on the Jubilee Line by 50 per cent; and those for the Waterloo terminal tripled.)

(iii) Is investment expenditure on safety improvements well controlled?

(iv) There is a complete lack of a realistic budgeting. The Chief Secretary asked me to convey the message that the financial position is dire, deteriorating and verging on the disastrous. Despite a £1.5b. increase in BR's EFL, the latest assessment is a 58 per cent overspend next year.

(v) Why are operating costs being allowed to get out of hand? In response to falling revenue, there has been no real management response through cutting costs. The freight businesses are now disastrous: their future prospects even bleaker.

All the financial problems are symptomatic of poor management. Bob Reid was brought in. He made well known public criticisms, (probably due more to political naivety than malice). But that raises a number of further questions.

(vi) What is Mr. Rifkind's attitude now to Mr. Reid? Is Mr. Reid still "on side"? Can Mr. Rifkind work with him or should he be replaced?

(vii) What action is Mr. Rifkind taking on the prospective EFL overspend? What pressures can he put on British Rail management to get both their investment plans and operating costs back under control? Might consultants be brought in, so that the necessary tough decisions can be "externally" imposed?

BR Privatisation

The longer term management solution is seen to lie in privatisation. The Freeman/Maude/Redmond (FMR) Group produced broad proposals on privatisation. The principal recommendations

are:

- The ownership of the track network and of the trains would be separated - but different approaches would be suitable for different sectors, eg regional, Intercity, Network South East.

- There is no agreement within the FMR Group on what approach is appropriate for each of these different sectors.

Mr. Rifkind himself, however, does not favour the break up of BR. He favours privatisation as a single entity. Policy Unit and Treasury favour the FMR proposals in some form.

You will want to probe Mr. Rifkind carefully. Few other countries have separate private companies running trains and the track services. Equally, it is by no means clear that the British Gas privatisation model is inappropriate: just as British Gas faced competition from other energy producers, so BR faces competition from road and air.

Whatever the theoretical economic arguments in favour of breaking up BR, privatisation as a single entity would be quicker, more certain within one Parliament and would less risk confrontation with BR employees. Later moves to inject more competition might come through the regulatory body.

The questions you might raise include the following

(i) Why does Mr. Rifkind prefer privatisation as a single entity? What does he see as the snags of the FMR approach? What are the relative advantages and disadvantages of each approach?

(ii) How quickly could BR be privatised under the different approaches? (There is a long history of BR privatisation plans. The common theme is that privatisation is proposed and then promptly

relegated to the "after the next election" category.)

Roads

The roads capital programme has been boosted significantly. Treasury would oppose strongly any further increase in the resources available; the fiscal position surely rules that out. So the importance of private financing is enhanced.
Mr. Rifkind's commitment to private toll roads is unclear - what are his views?

Bus deregulation

The main issue is London. Bus deregulation in London is planned after the election, following the consultation paper early this week. The following questions arise.

(i) How will deregulation be introduced in London? (In other large cities its immediate impact was massive congestion on the roads. What can be done to stop that happening again?)

(ii) Who should subsidise the loss making services? London Transport is the obvious candidate; but that would be difficult while it continues to run its own bus subsidiary, LBL.

(iii) More widely, how should subsidies to loss making services be paid? At present, it is via passenger transport executives, under the control of local authorities. Is this a candidate for review as part of the wider look at local government finance?

Shipping

I doubt whether it is worth spending time on this. You are aware the Chancellor does not propose to take forward any of Lord Sterling's proposals.

Aviation

The main issues on this have recently been resolved. United Airlines and American Airlines will be allowed to fly into Heathrow. And BA has been forced to give up two of its flights to Tokyo to Virgin.

Perhaps the only issue worth touching on is the idea that the CAA should take action to provide a bonding scheme for scheduled passengers.

The community charge review

Finally, so long as time permits, it would be sensible to bring Mr. Rifkind into the picture on the community charge proposals. There is a disadvantage in doing this before GEN 8: and you may prefer to arrange a separate slot on Monday. But for diary reasons, if you felt able to talk to Mr. Rifkind tomorrow, that would be helpful.

BARRY H. POTTER

12 March 1991

C:\wpdocs\economic\br (pmm)

MR POTTER

12 March 1991

PRIME MINISTER's BILATERAL WITH MALCOLM RIFKIND

Since I submitted my background note for the Prime Minister's meeting with Mr Rifkind, there have been a couple of developments on which you may feel that the Prime Minister needs to be up-dated.

BR Privatisation

I refer in my note to a key meeting that was due to have taken place this afternoon between Messrs Rifkind, Lamont and Lilley. This meeting was cancelled yesterday by Mr Lamont's office and is not likely to be rearranged until after the Budget. This is very unfortunate given the need for urgency.

Aviation

It has been a busy few days for Mr Rifkind -

(i) the negotiations with the Americans have been resolved. As a consequence, United Airline and American Airline will be able to fly into Heathrow. Richard Branson's Virgin will also now be free to fly across the Atlantic from Heathrow. He has said that he will cut Virgin's fares by 15%. BA has complained about the decision. The Prime Minister may want to give his backing to Mr Rifkind's stance.

(ii) DTp has announced that BA will have to give up two of its Tokyo flights to Virgin. Lord King has again complained. Virgin have cut fares by 15%. So more good news for passengers.

(iii) Air Europe - and its parent company, International Leisure Group Ltd - have collapsed. There have been complaints that the DTp and CAA knew that ILG was experiencing financial difficulties and therefore should have warned people planning to buy tickets from Air Europe. DTp and CAA argue that to have issued such a warning would merely have precipitated the collapse of the Group. This is clearly true. The issue now is whether a variant of the bonding scheme currently operating for charter passengers should be introduced for scheduled passengers. Mr Rifkind has asked the CAA to report to him as soon as possible. Another option could be to move to a system where scheduled passengers took out insurance themselves if they felt they wanted to do so.

You will also have seen the Treasury note sent to you yesterday by Mr Tarkowski. It covers much the same ground as my note to the Prime Minister, and does so helpfully. My only reservation - on political grounds - is to do with its advice on road pricing. While it clearly does make sense to undertake further research, I would be very cagey about doing so before the Election.

Hope this helps.

Jonathan

JONATHAN HILL

255.JH

Is that Jonathan Hill opposite?

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cc Sachys.
PS.

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

11 March 1991

Barry Potter Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Barry,

TRANSPORT ISSUES: PRIME MINISTER'S BILATERAL WITH MR RIFKIND

As agreed, I attach a short note on LT and BR investment, freight, BR privatisation, bus deregulation and road pricing.

On BR, you will note that while the Chancellor is clear that we must look to inject greater competition into the Corporation's operations, he has yet to satisfy himself on the detail of the proposals put forward by Messrs Freeman, Maude and Redwood.

Tarkowski

T TARKOWSKI
Private Secretary

a. **British Rail and London Transport Investment**

* **Massive investment increases in the pipeline.** Comparing next three years with three previous: 60 per cent real rise for BR - including £1.2 billion for Channel Tunnel; over 100 per cent for LT - including Jubilee Line and Crossrail.

* Severe **management** problems. For example:

  - cost of Channel Tunnel services up by 70 per cent in real terms - 28 per cent in 1990 alone. Cost of Waterloo terminal tripled, to £150 million. Massive external effort from John Brown needed, to get situation under control;

  - Jubilee line cost gone up 50 per cent in real terms in 1990. Underground say design still "only at a development stage".

* Real **financing** difficulties. Hard to see how BR and LT can finance this investment even after £1½ billion extra on EFLs in 1990 PES. Since November LT's revenues and property sales down £90 million in 1991-92. BR adrift some £320 million in 1990-91 (45 per cent overspend). BR now forecasting overshoot of £650 million in 1991-92 (58 per cent overspend): only £120 million of this due to property slump.

* **Operating costs** deteriorating for BR and LT. Particularly for BR, planning, budgeting and control systems are in a mess. BR seem incapable, for example, of reducing train miles in response to loss of demand and revenue now forecast in 1991-92 (2½ per cent, following a 3.3 per cent fall in 1990-91). They still have no idea of cost of recent bad weather and terrorism.

* So BR and LT cannot either afford or manage even their current investment plans. **Further increases would be throwing good money after bad management** and lead to an increasing drain on the taxpayer. In particular:

  - decision on high speed link to Channel Tunnel should be put back until tunnel opens in 1992, and preferably until BR is privatised. BR making proposals to Government soon - Sir Bob Reid has said in public that he will "need to con the shareholder" if he is to get agreement to depositing a Bill in 1992;

  - BR's safety spend must be brought under control and subjected to sensible appraisal procedures; and

  - LT should concentrate on refurbishing existing lines at an affordable rate, rather than extending the network.

* Not clear DTp Ministers and officials are being **sufficiently tough** with BR. PM had a copy of Chief Secretary's letter of 25 February, but not of Mr Rifkind's rather weak reply (attached). It is clear that their expectations are somewhat out of control. A tough steer from the PM would be very helpful here.

b. BR: Transferring Freight from Road to Rail

* Financial prognosis for BR's freight business poor. **Speedlink business** (single or small numbers of wagons) to be drastically slimmed down - this year sales of £40 million offset by costs of £80 million.

* **Trainload freight** (coal, aggregates, oil, etc) also in poor state. 10 per cent drop in real revenue in 1990-91; further 9 per cent drop forecast in 1991-92. Likely switch to imported coal for coastal power stations - once current contracts with British Coal end in 1993 - will not help.

* **Railfreight distribution** (containers, cars, etc) also looking poor. 10 per cent drop in real revenue this year; 14 per cent further drop forecast in 1991-92.

* **Longer term.** Rail only has a chance of being competitive over long distance (2-300 miles plus). Must offer what customer wants and fit better into logistical supply chain. Way ahead is to give sales responsibility to private operators, who can choose between air, rail and road, depending on distance and urgency. Key role for private sector in provision of rolling stock and terminal facilities.

c. **BR Privatisation**

* Stress importance of a quick and clear decision on a preferred structure. Mr Maude and Mr Redwood strongly in favour of a pro-competitive approach, and a structure that can be properly regulated. BT and Gas show problems caused when these issues are ducked: electricity shows benefits of taking correct decisions.

* Hence proposals from Freeman/Maude/Redwood group: several regulated integrated companies for NSE; franchises for loss-making Regional services; open access for Inter City and Freight to infrastructure owned by several track companies.

* Sale on this basis in next Parliament would require announcement in Summer, Bill in 1992, firm and early approach to BR, and much work by advisers. Electricity shows what can be done (White Paper April 1988; sales November 1990-July 1991). But we need to get a move on.

* Chancellor, Mr Rifkind and Mr Lilley yet to meet. Chancellor intends to probe Mr Rifkind's misgivings about breaking up BR as envisaged. Chancellor clear we must rule out unitary privatisation, and not set our sights too low in our approach to introducing competition.

d. Bus Deregulation

* Consultation paper published by Mr Rifkind on 11 March. Committed to bus deregulation in London soon after Election, and privatisation of the 12 London Bus companies a year later.

* Stress importance of pushing ahead with this, and not back-tracking on deregulation in London or in rest of country.

* Further work needed on who should subsidise loss-making bus services - done by Shire Countries and PTEs outside London. DTp favour LT continuing with this role: HMT, DTI, DEm, DOE think this would be inappropriate. Further and open consideration needed of the alternatives: a "bus-only" PTE, a Next Steps Agency, or (possibly) the 33 boroughs themselves.

e. Road pricing

* Mr Rifkind's officials are likely to advise him in the next week or two that it would be sensible to carry out some further work on road pricing. They will point out that road pricing is theoretically attractive although its implementation would raise a number of important practical difficulties. They are likely to say that the further work should cover the likely impact of road pricing on traffic flows, the technological design of a new scheme, enforcement problems, institutional arrangements etc.

* Although there can clearly be no decisions on whether to go ahead with road pricing for some time, and certainly not before the next general Election, we hope the Prime Minister will **encourage Mr Rifkind to allow this further research** to proceed.

f. Shipping

* Mr Rifkind may advocate further help for shipping following the report of the joint working party chaired by Mr Parkinson and Lord Sterling. The Chancellor is giving careful consideration to the GCBS budget representations.

* Additional help on the scale sought by GCBS might help UK shipping companies, although it would not necessarily prevent further flagging out. But this is not the type of argument that would normally justify additional Government support.

* Moreover, shipping is not the only sector of industry demanding help. The difficult question is why shipping is so different from other sectors of industry that it justifies special treatment.

g. The roads programme

* Mr Rifkind may mention the problem of congestion on the roads, and the need for more money for road construction. The key point here is that there was a step increase in central Government spending on roads from £1 billion in 1988-89 to £1.35 billion in 1989-90, and £1.7 billion in 1990-91. These are huge increases.

* **The challenge for Mr Rifkind must now be to make sure that this money is spent efficiently.** There can be no possibility of a further step change in expenditure. One way of boosting the road programme further is, of course, to encourage more private financing schemes.

Prime Minister

Although the bilateral is not till Wednesday you might find it worth looking through Jonathan's tour d'horizon on the weekend to familiarise yourself with the main issues.

JM

PRIME MINISTER

Bl. returns Tuesday

8 March 1991

BILATERAL WITH MALCOLM RIFKIND

You are meeting Malcolm Rifkind on Wednesday 12 March. This provides an opportunity for you not only to explore the way in which Mr Rifkind plans to handle the issues currently before him, but also to stress the importance you attach to developing a distinctive and attractive programme which will enable us to persuade voters that we have a coherent approach to Britain's transport needs.

Mr Rifkind has said that he would like to talk about the following subjects:

- investment in rail and road infrastructure
- British Rail privatization
- future of UK shipping industry
- aviation competition and access to markets
- bus deregulation in London.

My note follows that outline. I also suggest that there are a couple of other areas on which you might like to touch:

- progress on Manifesto proposals
- privatization generally
- presentation of policy - London in particular.

1. RAIL AND ROAD

I understand that Mr Rifkind may be sending a short note explaining his approach to improving the quality of our railways. I am told that it will not contain any figures, but it is possible that he will argue the case for more investment.

(1) Management.
(2) Investment.

If he does ask for more money for BR, you might like to make the following points:

- In the 1990 PES, we announced massive increases in investment for BR and LT. Comparing spending for the next three years with the last three:

  BR will have a real terms increase of 60 per cent. LT will have a rise of more than 100 per cent.

- isn't it true that BR and LT are having serious problems with managing their current investment programme? Could they really handle any more? For example:

  - cost of the new terminal at Waterloo has more then tripled to £150 million

  - cost of BR's investment in services for Channel Tunnel has risen 70% in real terms to £1.2 billion

  - cost of Jubilee extension to Docklands has gone up 50% in real terms in 1990 alone to £1.75 billion.

  - BR's overspend in 1990-91 was 46 per cent. Their overspend for 1991-92 is 58%.

You may also like to say that you do not find it helpful to have Bob Reid lobbying for billions of pounds of more money on television and in the pages of the national press. Is he the right man to push privatization through?

On roads, you may want to stress your commitment to encouraging privately funded tolled roads. You might stress that you do not

intend to allow arcane Treasury rules on the need for a public sector comparator to hold back the development of this initiative.

2. BRITISH RAIL PRIVATIZATION

Mr Rifkind is meeting the Chancellor and Mr Lilley on Tuesday 12 March to discuss BR privatization. They will be considering a very useful paper produced by Messrs Maude, Freeman and Redwood, which makes the following key points:

- the privatization of BR should not preserve it as a monolithic industry - BR must be broken up;

- in principle, their preferred option is to separate ownership of the track and related assets from ownership of the trains which run over the track. In practice, however, different parts of BR call for different solutions;

- privatization should be approached sector by sector and take the following form:

Freight: A number of train operators would run competing services over track owned by others.

Inter City: DTI and HMT again argue for a separate track authority with operators competing on track. DTp argue that there should be a vertically integrated company owning both track and trains.

Network South East: break NSE up into 3-9 vertically integrated railway companies competing by emulation.

Regional: need for continuing subsidy. Ownership of the track to be separate from responsibility for running services. The track to be privatized as a series of successor companies. Services over the track to be let by franchise. The franchise would be won by the company seeking the lowest subsidy.

In spite of the work done to date, I gather that Malcolm Rifkind is inclined to favour privatizating BR as one entity - along the lines of British Gas. He may argue that this would be:

- quicker
- more straightforward
- easier for BR to swallow.

The last point is certainly true. However, I can see almost no advantage in having a private sector monopoly rather than a public sector monopoly. We need to argue that we are privatizing BR because we believe that privatization will result in better services for travellers not simply because we do not want it in the public sector.

You may therefore want to say to Mr Rifkind that

- you are not attracted to the idea of privatizing BR en bloc;

- you are anxious that we press ahead with plans for privatization. It is imperative that we are able to talk about the form that privatization will take and the timetable it will follow by the time we launch our Manifesto.

5. **SHIPPING**

You are aware that Mr Rifkind is strongly supportive of the GCBS lobby for 100% capital allowances and exemption from tax and employers' NI contributions for crews at sea. You have of course already discussed this issue with the Chancellor. You will be familiar with the arguments that Mr Rifkind is likely to rehearse. Points you may like to make are:

- the GCBS package could cost in excess of £1bn over five years (GCBS figures); with no guarantee that UK owned ships would be UK registered

- we must avoid sending out the wrong signals to industry as a whole;

- we do not need UK-registered ships in which to carry our trade - doesn't it make more sense to charter ships at the cheapest possible rate on the open market?

- 100% capital allowance would subsidize investment that would have taken place anyway;

- it could start a new round of increasing government aid as industries in other countries lobby to maintain their advantage - Singapore and Canada, for example, have just done exactly that;

- the MOD had no problem in chartering ships for the Gulf. (Of the 130+ merchant ships sent to the area, only seven or eight were UK-registered).

You could ask whether Mr Rifkind is more sympathetic to the economic or to the strategic case made by the GCBS. If it is the strategic arguments which weigh most heavily with them (as is, I understand, the case), you could ask whether he thinks a better

route might not be to get the MOD to devise an appropriate scheme to address the defence dimension.

4. **AVIATION**

It is time for a radical look at aviation policy. It is true that the UK is taking the lead in pressing for liberalization in Europe. It is true that Malcolm Rifkind announced a number of sensible reforms of the Traffic Distribution Rules on 5 March.

However, it is also true that the interests of our "national airline" still tend to be put before the interests of air travellers - as the current unseemly row with the Americans (as to whether or not United and American should be able to take over the slots of Pan Am and TWA) underlines.

One (admittedly very courageous) course of action would be to allow any **privately-owned** airline to fly direct into any airport in the UK. Given that in the short term it is unlikely that British companies would own reciprocal landing rights, our airlines would clearly go berserk. **But it would prove immensely popular with voters.** And it is of course the approach that we have adopted with every other industry. There is no reason to believe - given that BA claims to be the world's favourite airline - that BA would necessarily lose market share. But fares should fall.

Returning to earth, current aviation issues are:

(i) <u>negotiations with the Americans</u>. As you know, we are trying to wring concessions from the Americans in exchange for allowing United Airlines and American Airlines in to Heathrow. I am told that there is a 50:50 chance that the talks will collapse this weekend. The argument is of course to do with the relative position of national airlines, and **not** the interests of

consumers. If we have pushed the Americans as far as they will go on liberalization, I do not see why BA should not be exposed to strong competition.

(ii) **Traffic Distribution rules (TDRs)**. The CAA recommended that Heathrow rules 1, 2 and 3 be set aside. These rules

- prohibited new operators of international scheduled passenger services from Heathrow;
- banned charter flights from Heathrow;
- limited new domestic services using Heathrow.

Mr Rifkind has accepted the CAA's recommendations and scrapped the rules in his statement of March 5. This is a sensible step in the right direction.

You might like to ask him what further plans he has for addressing the issue of slots allocation, and how these fit in with proposals currently on the table from the European Commission.

5. **BUS DEREGULATION IN LONDON**

DTp are issuing a consultative paper about bus deregulation in London on 11 March.

Deregulation is necessary before London Buses can be privatized, and is of course desirable in its own right.

This should, I believe, prove an attractive policy and feature strongly in the Manifesto. You may want to express your backing for deregulation and encourage Mr Rifkind to press ahead with it.

There are three further points which you may want to make:

- Mr Rifkind has argued for the need of a body to perform certain London-wide functions - eg the provision of information, bus shelters, etc - in a de-regulated market. This is probably sensible. What is not sensible, however, is his proposal that LT ought to take responsibility for these functions. Apart from the obvious point that LT's general track record scarcely inspires one with confidence that it would be the most suitable candidate for the job, it would face clear and serious conflicts of interest. Of all the models proposed, giving responsibility to LT seems to me to be the least attractive;

- Mr Rifkind has said that the quality of LBL's buses will need to be improved so that they will be able to compete on equal terms in a de-regulated market. He may have good reasons for wanting to invest more in LBL in advance of de-regulation and privatization, but I am not immediately clear what they are;

- the issue of travel cards will need to be handled carefully to ensure that new entrants to the market are not discriminated against by LT - as happened in Docklands.

6. OTHER ISSUES

(a) Manifesto

I am told that the Transport Policy Group does not plan to let us have its proposals until the end of the month. You may like to stress the need for urgency.

(b) **Privatization**

What does Mr Rifkind think about privatization of:

- the Docklands Light Railway?
- local authority airports and ports?

(c) **Presentation**

We have invested massively in our infrastructure. Does Mr Rifkind have any plans for improving the presentation of Government policy so that we can gain more benefit for what we have spent?

7. **Conclusion**

Of all these issues, perhaps the most important politically is what to do about BR. It has had a massive slug of money, and there seem to be signs that it is finding it difficult to digest it. Now is not the time to give it money but rather for Mr Rifkind to concentrate on returning it to the private sector as rapidly as possible and in a way that will maximize competition and increase consumer choice.

JONATHAN HILL

253.JH

POLICY IN CONFIDENCE

Secretary of State
for Employment

PRIME MINISTER

TRAINING POLICY

1 I am attaching a paper setting out my proposals for taking forward our training policies. We are now due to discuss this on 14 March. This minute summarises the key points from the paper.

2 A revolution in training is underway - and not before time. The paper sets out what we have done, what we are doing, and how we should now proceed.

3 In the past decade we have begun to put in place the key building blocks needed to produce a major cultural shift:

- vocational education and training for young people to produce many more highly qualified young people who have had a longer, broader and better start in working life;

- a modern system of standards and qualifications;

- more relevant and more accessible opportunities;

- at local level, employer-led delivery through the Training and Enterprise Councils;

- incentives for individuals to stimulate and help them develop their own skill and competence;

- the necessary information and research and development backup to support the system;

- all set within a framework of national objectives to which those with responsibilities are fully committed.

Secretary of State
for Employment

4 The paper assesses our achievements to date and their implications for the future:

- the existing workforce must now command our attention;

- our target is to have 80% of the working population covered by the new National Vocational Qualifications by the end of 1992 but the job will not stop there;

- we have a major success story to tell in terms of opportunities and their accessibility. In particular, we are a world leader in open, distance and flexible learning which offers potential for the future we must now exploit;

- the Training and Enterprise Councils are a major success story but it is essential to sustain the commitment of the 1200 Chairmen and Chief Executives of companies who constitute their Boards;

- our 11 training credit pilot schemes and our limited Career Development Loans are but the beginning of what should be a major strand of development to motivate and provide opportunities for individuals;

- our new Investors in People kitemark needs to be vigorously promoted;

- if the CBI discussions with the various responsible bodies about national objectives have a successful outcome by May this year, there will be a major opportunity for us to identify ourselves with those objectives.

5 What we have set in hand is imperfectly understood. We have an important opportunity to put that right through a White Paper. That White Paper would be much more than a rerun of what has already been announced.

POLICY IN CONFIDENCE

Secretary of State
for Employment

6 The paper describes the new announcements which a White Paper should contain:

- the launch of a new programme of credits for assessment of individuals

- new incentives for individuals without sponsors to upgrade their skills

- a new strategic role for Training and Enterprise Councils in the development of education in their areas

- new arrangements for quality audit of Training and Enterprise Councils

- the launch of a National Record of Achievement for Adults

- encouragement of Training and Enterprise Councils to push ahead with innovative new approaches to adult training and retraining

- new support for Training and Enterprise Councils, individuals and individual employers in the choices and decisions they make.

7 A White Paper later this year, timed either to coincide with the outcome of the CBI National Objectives consultation in May or earlier, would be ideal. Much of the work needed for such a White Paper is already well in hand. Most of what it would contain can be implemented at modest additional cost. If authority to go ahead is now given, rapid progress can be made.

M.H.

M H

1st March 1991

TRAINING POLICY

(Paper by the Secretary of State for Employment)

Issue

1 A revolution in training is underway - and not before time. We are not yet achieving the standards set by the best of our competitors. The position is almost certainly not as bad as many commentators describe - most international comparisons are based on formal qualifications. Hitherto we have not had a comprehensive or modern system of vocational qualifications in this county. This is something we are now addressing. What we have set in hand and begun to achieve should not be underestimated. This paper sets out what we have done, what we are doing, and how we should now proceed.

Background

2 In the past decade (and particularly in the last five years) we have begun to put in place the key building blocks which are needed to produce a major cultural shift.

3 Employers have been put into the driving seat in the Training and Enterprise Councils, in the National Council for Vocational Qualifications, and in the voluntary sector training bodies which, with only two exceptions (construction and engineering construction) have now completely replaced the statutory Industry Training Boards.

4 The way is now opening also to a ladder of opportunities for individuals through our new structure of National Vocational Qualifications and young people (at least in our pilot areas) will now be motivated to buy in to training leading to qualifications with their training credits.

5 Our 1988 White Paper 'Employment for the 1990's' (the last pronouncement on policy in this field) announced the concept of Training and Enterprise Councils. It also announced our intention to move as many as possible of the remaining statutory Industry Training Boards onto a voluntary basis; brought into existence the National Training Task Force; affirmed our commitment to National Vocational Qualifications and our support for developments such as the Management Charter Initiative.

6 We now need a further White Paper. Its objectives would be to pull together what we have now set in hand and then set an agenda for the next Parliament. There is a very good story to tell. And there are exciting new things we could announce.

7 We have, in fact, been trying to put in place a coherent set of policies and programmes based on the following:

- vocational education and training for young people which (from schools, colleges and higher education) will produce many more highly qualified young people who have had a longer, broader and better start in working life;

- at national level, a modern system of standards and qualifications for every occupational group based on the work of employer-led bodies for various sectors and occupational groupings;

- more relevant and more accessible opportunities made available by market oriented providers;

- at local level, employer-led delivery and enhanced and more systematic investment in people of all ages in the work-force;

- incentives for individuals to stimulate and help them to develop their own skill and competence;

- the necessary information and research and development back-up to feed and support the system;

- all set within a framework of national objectives to which those with relevant responsibilities are fully committed.

What we are doing

8 What we have set in hand for young people (both those in full time education and those who have started work) will undoubtedly yield major dividends. But we must not forget that the young people who benefit from the reforms in our schools, for example, will not be in positions of authority in industry and commerce before the year 2010. In the short term there are still many young people who do not receive a broad-based, relevant, high standard of education and training leading to a recognised qualification and skills. We have discussed what to do about that in another context. It remains vital in the long term. But, the existing workforce must also command our attention. After all, 8 out of 10 of those who will be at work in the year 2000 are in employment already.

9 Our progress with national standards and qualifications is impressive. We have more than 160 employer-led bodies at work to a strict timetable devising standards of competence for every sector of any significance and every occupational group. Those standards are the basis of awards which, in turn, underpin our new National Vocational Qualification which will lead to a ladder of opportunity for individuals. In future everyone will be able to get portable qualifications on which they can build in the course of their lives and which employers will recognise wherever they go. Our target is to have 80% of the working population covered by the new National Vocational Qualifications by the end of 1992. Thereafter there will still be a vital job ahead, notably at

professional and managerial levels. Moreover we have now evolved through NCVQ a National Record of Vocational Achievement which can be made available to all employees. This is the adult equivalent of the Record of Achievement we have just announced for young people.

10 We have another success story to tell in terms of opportunities and their accessibility. For example:

- largely as a result of the Government's own pump priming we are a world leader in open, distance and flexible learning. This offers the means to a scale of provision undreamed of through traditional approaches. For the first time an individual is able to choose the time, place and pace of his or her programme. Every trainee or student can have access to the best teachers and highest standard material. Smaller companies (the large untapped market) can be engaged. And unit cost reductions achieved by employers (in some cases a factor of three or four) are dramatic;

- as a result of our Work-related Further Education programme, every further education college in England and Wales now has a business plan, follows up its students and involves employers in planning its provision. None of this was true only 5 years ago;

- our Enterprise in Higher Education Programme now involves more than 50 universities and polytechnics in expanding links with employers, both local and national, and in developing programmes and courses which involve students and teachers much more with business and commerce.

11 At local level, the Training and Enterprise Councils are undoubtedly a major success story - the whole network will be

fully operational by the end of this year (more than three quarters of it by next month), the best part of two years ahead of schedule. Our initiative came at exactly the right time and caught an important tide. The Chairmen and Boards of the Councils include more than 1200 Chairmen and Chief Executives of companies, large and small, who themselves directly or indirectly employ more than 30% of the workforce. But those people have many calls on their time. They will stick with the Councils only so long as they are convinced of Government commitment and believe that they have a worthwhile job to do and are being given the means to do it.

12 So far as individuals concerned, we have made less progress. Even so we have a story to tell. The 11 training credit pilot schemes will start very shortly. Our very limited Career Development Loan Scheme for adults (which allows us to make 10,000 repayable loans a year) has been an outstanding success. And increasing numbers of companies are following the leads of those such as IBM and Ford in providing their employees with an entitlement to time off for personal and work-related development.

13 To support these developments we have made great strides in local and other labour market information and in developing a research and development programme with clearly stated priorities (for example action planning for individuals; aligning the recording systems for education and training; assessing the learning need of individuals). These are essential if Training and Enterprise Councils and others are to be given the information and back up they need to succeed.

14 To encourage employers we have launched a new kite mark, which can be gained by those employers who qualify as Investors in People. It has widespread support as a concept. We need now to promote it vigorously.

15 The CBI are currently engaged in an extensive consultation exercise on targets. They asked me to welcome this initiative and I have done so. But in my view targets must be related to responsibilities. I defined the responsibilities of those involved in the national training effort in my Strategic Guidance last October. I have indicated that, when the CBI exercise is complete, I shall consider with them how the Government can be most effectively associated with this exercise.

What we should do now

16 What we have already set in hand is imperfectly understood. We now have an important opportunity to put that right.

17 But any White Paper we produce would be much more than a rerun of what has already been announced. We can give our policy a significant new impulse. In particular, we could make significant announcements which would leave our critics with only the sterile ground of promises of more Government funding combined with legislation and compulsion (which alienate employers, large and small, throughout the country).

18 Our significant new announcements would centre on:

- assessment of those already in the workforce but possessing few, if any, formal qualifications
- opportunities for individuals
- vocational qualifications and records of achievement
- securing the Training and Enterprise Councils
- encouragement of new approaches to adult training
- support for the developing new system

The following paragraphs deal with each in turn.

Assessment

19 The range of training opportunities available is now considerable. But too few people know about them. And too few are taking advantage of them. To encourage greater knowledge and participation, we should promote credits for assessment. These credits, provided through TECs, would part finance individual employees to have their skills and potential assessed; to have an action plan developed for the training which would most help them; and, where appropriate, to have their current skills accredited as part of NVQs. Since this would benefit companies we should expect companies to bear a large part of the cost for their employees, but we should also allow access for individuals without such a sponsor.

20 In principle over the next decade we should aim to reach all employees and to establish self-funding permanent arrangements. When the idea is new the level of our pump-priming may need to be higher and we would have to introduce the process through companies willing to cooperate. Given the qualifications timetable and the lead times needed to establish the new system the first year of operation would be 1993/94, when perhaps 1 in 20 companies or just over one million employees would be targeted. This would require broadly £100m if the companies met half the cost.

21 In subsequent years the company share would be expected to rise to perhaps two thirds of the cost in the next two years and 80% thereafter. Maintaining support through TECs at broadly £100m per annum and bearing in mind retirements and new recruits would enable us to aim for all employees to be covered by 2000.

Opportunities for Individuals

22 A new class in the National Training Awards is to be introduced this year (November) to recognise individual achievement through training. And to encourage those Training and Enterprise Councils developing programmes of credits for adults, whether those in employment or those unemployed, we should extend our Career Development Loan Programme.

23 Career Development Loans enable individuals to borrow to pay for raising their skill level. The loans are repayable after the training is completed but the Government covers the interest payments during training and for 3 months after training. The idea is that raised skill levels will improve the individual's subsequent earning capacity, thus enabling them to repay the loan. This is an important way of empowering individuals to fulfil their potential.

24 There are currently 15,000 outstanding loans, administered through the banks. A small advertising campaign is about to start which will encourage demand. But this alone is unlikely to produce more than 40 to 50,000 loans per annum, helping only 0.2% of the total workforce. If we introduce a rolling programme of assessment reaching 10% of the workforce each year as I suggest above, the demand for loans will rise considerably from individuals in companies which will not help with training costs, or wish to share training costs with their employees. Clearly we should in this way be prepared to help meet this demand from individuals who responsibly seek to pursue work relevant skills for self improvement.

25 In addition, I very much hope it will be possible to introduce tax relief in this year's Budget for individuals who pay for their own training.

Vocational Qualifications

26 Next vocational qualifications. Here we would restate clearly our end 1992 target; the additional finance we have given to the National Council for Vocational Qualifications; our intention to push on to complete 100% coverage as soon as possible after the end of 1992 and before the end of the next Parliament; and the significance of vocational qualifications in terms of portability to both individuals and employers.

27 We might also state our intention to make the use of National Vocational Qualifications by employers one of the criteria for our new kite mark (see para 14 above) for investment by employers. It would also be open to TECs to secure that, after a certain date, no taxpayer's money would be forthcoming to support programmes, public or private, unless they led to National Vocational Qualifications or a credit towards one.

28 We could also launch our adult National Record of Achievement. This has been developed and market tested by NCVQ. It is an essential component of the new National Vocational Qualification system, providing a portable passport to jobs for the individual and establishes each and every employee or adult who has it firmly on a ladder of opportunity.

29 We would also point to the potential of National Vocational Qualifications for pay structures in industry and commerce as, for the very first time, we shall have an objective measure to enable employers to recognise and reward the attainment of skills. This development is potentially of very great significance and some employers are already beginning to realise it.

Training and Enterprise Councils

30 Here there would be two strands to the development of our policy:

(a) a reaffirmed commitment, evidenced by giving the Training and Enterprise Councils a strategic role on coordinating all relations between employers and the education system in their areas. In particular we would invite Councils to establish education/business partnerships to cover the whole country rather than the one per TEC presently planned. This would build on the achievement of TVEI whose 10 year programme is due to end in the next Parliament. We would also give them an increased responsibility for the development of the Careers Service. And would encourage Councils to establish for themselves and agree with us specific objectives in terms of investment in training by small and medium-sized firms.

(b) our second strand would be concerned with the quality and effectiveness of the Councils. We already look to Councils to publish each year a local labour market assessment and an Annual Report. In addition, under the guidance of the National Training Task Force (and perhaps with the help of the Audit Commission) we would announce a quality audit function providing for the TEC network the same services and stimulus as the Audit Commission does for local authorities (eg value for money reports, best practice reports, tables to show variations in unit costs and achievement).

New Approach to Adult Training Framework

31 We must of course continue to look to employers and individual employees to arrange and finance the bulk of training for employees, even if we have given them a kick start to familiarise themselves with the new qualifications by the assessment credits described above.

32 However, successive Governments have recognised the need to offer special help to people without employer sponsors to re-enter the labour market, particularly unemployed people. Currently we look to TECs for this and they have taken over and are developing the Employment Training Programme. This is conceived as a bulk programme with low unit costs aimed primarily at giving unemployed people the minimum skills required to get back into jobs. About 4 in every 10 entrants get back to work but only 1 in 20 achieves a National Vocational Qualification.

33 In the short term it is important that we maintain this approach to honour our guarantees of training places and other opportunities to the long term unemployed. I am arguing elsewhere that ET provision which has a direct count effect should be increased for anti-cyclical reasons as unemployment rises and peaks, and also that we should consider a temporary work scheme.

34 But when unemployment has peaked we should encourage TECs to develop their adult provision to contribute more effectively to raising skill levels. Many TECs already have ideas on these lines which we are encouraging where they do not endanger the guarantees.

35 Several TECs (South and East Cheshire and Manchester) are in effect developing two streams:

i) a work readiness stream roughly equivalent to the bottom-end of ET or what may be achieved in the temporary work scheme. This involves basic skills (both job-related and personal effectiveness and job search). In an improving labour market much can be achieved in this way for long term unemployed people in relatively short work preparation courses

and ii) intensive traineeships designed to combine full assessment and accreditation of prior skills with the training needed to complete a full NVQ.

36 Both streams would use an assessment process to start the individuals concerned on the path to Qualifications and to provide all participants with an updated National Record of Achievement to use as a reference with potential employers.

37 Many TECs are also thinking creatively about how to use the second stream to obtain maximum leverage on employers' own training practices. They are seeking to follow the precedent set by youth training, which started as mainly a temporary work scheme and has moved on to training leading to full National Vocational Qualifications often delivered from employed status.

38 It is in all our interests for TECs to get as many long term unemployed people as possible into employer placements and then into employed status to complete their training partly because more are likely to reach significant skill levels that way, and partly because this minimises Exchequer expenditure on their income support. Several TECs are now taking this further and encouraging employers to link training of existing employees with training of unemployed people. For example, Calderdale and Kirkless TEC are negotiating 'skills ladder' arrangements under which existing employees' skills are upgraded so that employers can fill skill shortage vacancies in their firms by promotion while unemployed people fill in behind in jobs with a lower skill requirement.

39 Our White Paper should encourage all TECs to plan to follow these approaches, to experiment with other ways of leveraging employer involvement and contribution, and to move towards a two stream approach as soon as their local circumstances permit. This would maximise the skills added-value of the adult programmes. We

could further encourage this by raising the reward for NVQs achieved by TECs under our TEC output related funding system.

Support Services

40 Finally, so far as support services are concerned, the White Paper would set out our priorities for research, development and innovation in the training field. It would reiterate our commitment to the development of up-to-date information for employers and individuals alike. In particular, it would refer to our intentions to provide statistical yardsticks by which to evaluate the development of the national training effort (essentially the regular updating of the Training in Britain Study), and a regular series of bulletins on the national and local employment scene. We would also announce the extension nationwide of our imaginative Training Access Point Project which enables individuals, through a VDU, to get up to the minute information about any course or programme, full time or part time, in any part of the country which might be relevant to them.

Conclusion

41 My conclusions are, I hope, clear:

(a) we have had no major public statement of our training policy since 1988 and then it occupied only 3 of 8 chapters of the White Paper 'Employment for the 1990's';

(b) much has happened since then and we have a good story to tell but that story has not yet been told, particularly in the language of men and women in the street or of the ordinary employer and line manager;

(c) we do not need any major new building blocks for our strategy and should avoid pulling up by the roots any that we have, with considerable effort, begun to establish;

(d) nevertheless, fresh impetus can and should now be given and we should set out a programme which will carry us forward decisively through the next five years and beyond;

(e) a White Paper later this year, timed either to coincide with the outcome of the CBI national objectives consultation in May or earlier , would be an ideal opportunity;

(f) that White Paper would have plenty of meat, both in the form of exposition of what has been set in hand and of new announcements;

(g) those announcements would include:-

- the launch of a new programme of credits for assessment of individuals

- new incentives for individuals without sponsors to upgrade their skills

- a new strategic role for Training and Enterprise Councils in the development of education in their areas

- new arrangements for quality audit of Training and Enterprise Councils

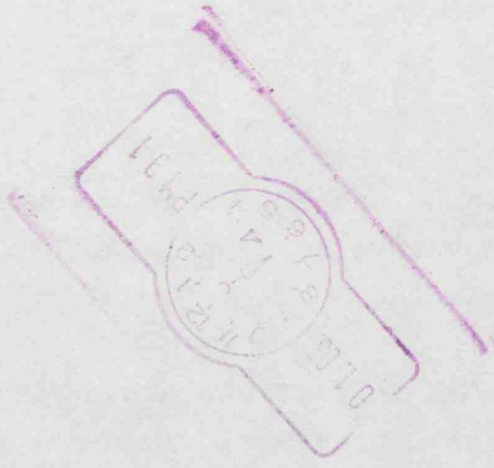
- the launch of the National Record of Achievement for Adults

- all Training and Enterprise Councils to push ahead with innovative new approaches to adult training and retraining

- new support services to assist Training and Enterprise Councils, individuals and individual employers in the choices and decisions they make.

42 Much of the work needed for such a White Paper is already well in hand. If authority to go ahead is now given, rapid progress can be made.

Employment Department
March 1991



POLICY IN CONFIDENCE

cc PM
cc SP

THE DEPARTMENT OF TRANSPORT

SECRETARY OF STATE FOR TRANSPORT

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

My Ref:

Your Ref:

Andrew Turnbull Esq
Principal Private Secretary
10 Downing Street
LONDON
SW1A 2AA

26 FEB 1991

Dear Andrew,

MEETING ON TRANSPORT POLICY

We spoke last week about the Prime Minister's wish to have a talk with Mr Rifkind on transport policy. A slot in the diary has now been fixed for noon on Wednesday 13 March.

I enclose a draft of the Agenda for the Prime Minister's consideration. Mr Rifkind is still considering whether it would be helpful to put in one or two papers prior to the meeting. Perhaps we can discuss that point once the Agenda has been firmed up.

Yours sincerely

Simon Whiteley

S C WHITELEY
Private Secretary

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MEETING BETWEEN THE PRIME MINISTER AND THE SECRETARY OF STATE FOR TRANSPORT: 13 MARCH

DRAFT AGENDA

1. Investment in road and rail infrastructure
2. British Rail Privatisation
3. Future of UK shipping industry
4. Aviation competition and access to markets
5. Bus deregulation in London

PRIME MINISTER

Yes

MEETINGS WITH MINISTERIAL COLLEAGUES

When you came into Office you expressed the wish to hold meetings with your Cabinet colleagues in turn to go over with each of them the policy issues at the top of their agenda and to identify any changes in direction or emphasis they wished to make. You have now had meetings with most of your colleagues, and a meeting with the Home Secretary is arranged for next Monday, but there are still a number of gaps.

Mr Newton

You may like a general discussion with him on the tax/social security interface, and in particular how they affect women and children. You will, in any case, need to talk to him soon on pension equalisation.

Mr Rifkind

The policy discussion you had a few days ago identified a vacuum of policies in the transport field. Before long you will need to tackle British Rail, road congestion, the link to the Channel Tunnel and shipping. I would not be surprised, also, if the crisis in aviation didn't throw up some difficult regulatory problems.

Mr Waldegrave

You have had one discussion with him on funding in the current year but the crisis here seems to have passed, perhaps masked by the Gulf war. Mrs Thatcher was very concerned about the plans to reform the NHS and agreed that they should be launched from 1 April only after lengthy discussions with Mr Clarke. You could ask Mr Waldegrave how preparations are going. You can be sure that any shortcomings after 1 April will be blamed on the reforms. You can also ask him about progress on self-governing hospitals and practice budgets, though on the latter he is reported as soft pedalling. Before too long you will need to decide whether planning for the transfer of community care to local authorities should continue.

Mr Lilley

You could discuss with him the operation of monopolies and mergers policy, including the difficult issue of bids from foreign state-owned companies. DTI are holding a seminar in mid-March to review the full gamut of their policies, most of which were laid down in Lord Young's time. It might be best to schedule a meeting after this discussion has taken place.

Agree we should set up bilaterals with the above? Once dates are set the Policy Unit will be able to advise in more detail on the agenda.

AT

ANDREW TURNBULL
13 February 1991
c\cabinet (kw)

P.A.
SP 8/2

10 DOWNING STREET

Charles
Bilateral with
Peter Brooke next
for Wednesday 13
Feb at 1515-1600.

SP 4/2

(Your letter of 4
Feb to Tony
Pawsey has ours
agenda?) Yes

OK..

N.I.O. informed.

SP 5/2

Charles
Fixed for Thursday
7 Feb, after Cabinet
(i.e. 1200 noon).
MAFF wonder whether
you will let them have
a record of yesterday's
meeting? S 31/1.

SANDRA PHILLIPS

The Prime Minister needs an early meeting of MAFF, Chancellor and Foreign Secretary to discuss CAP reform. Up to one hour. In the next 10 days if possible.

C D P

CHARLES POWELL

31 January 1991

Prime Minister

15(a-e) BHP 30/1

(14)

SECRET AND PERSONAL

PRIME MINISTER

30 January 1991

Thank you!

Your meeting with Michael Howard today

The primary purpose is to discuss his plans for another Green Paper on industrial relations. I assume the question of ET funding will come up; and you may wish to raise the issue of training policies generally.

Industrial relations

His green paper proposals involve a variety of changes, notably

- the proposition that collective agreements should be made legally binding

- the abolition of the check-off

- the abolition of wages councils

He has separately put forward a proposal for the ending of government finance for union ballots.

His green paper arguments do have some considerable force. UK law is virtually unique in creating a presumption that collective agreements are not intended to be legally binding. Trade unions can ignore agreements which they have signed, and threaten strikes during their currency; but employers are bound by their contracts with individual employees. New foreign investors in the

UK often negotiate "no strike" or single union deals but these also lack legal force - which puzzles the Japanese, in particular. UK practice lags behind the US or the rest of the EC. Michael Howard argues that we should reverse the presumption that agreements are not binding for three years, and see what happens.

The check off grossly inflates union membership. About 70 per cent of union subscriptions are collected (usually for free) by employers, through pay deductions; and they are not obliged to consult their employees or get their individual authorisation, which is something of a scandal. Bringing it to an end would reduce membership and shift the balance of membership towards the more up-to-date unions (who could handle the necessary paperwork!)

However:

- There is no publicly perceived need to press on with industrial relations reform now. There are singularly few strikes going on. Employers are not clamouring for change. Here in the Unit, Howell Harris Hughes (who strongly supports Michael Howard's proposals) argues that employers have never pressed for any of the government's industrial relations changes; he has done some discreet researches, and is of the view that there would be no widespread objection to a change involving legally enforceable contracts. But it cannot be said that the issue has forced its way to the top of the political agenda. Nor, given our success in attracting inward investment, can the lack of legally enforceable contract arrangements honestly be said to have been a serious problem.

C

SECRET AND PERSONAL

Conclusion:

I have indicated to Michael Howard that you might urge him to raise the profile of the issue with public speeches before bringing forward a green paper. He said, very fairly, he had thought it wrong to do so until he knew your views; but is more than willing to do so. He is anxious not to lose his legislative slot in the 1991-92 programme; but that, surely, should not be the overriding consideration.

There is certainly good manifesto stuff here. I know that, by and large, you support his ideas. I am not sure about tackling the wages council issue now, when it was formally announced that they would not be abolished only a year ago. Nor do I think it worthwhile to tackle union ballot finance by itself, or even in combination with the check-off. You might like to encourage Michael, but plan to take a slightly longer run in than he suggests.

ET:

The Department of Employment has made real cuts in its budget for three successive years, of which the third is 1991-92. The budget for this third year was based on a Treasury forecast for unemployment of 1.75 million. Michael Howard argues it will average 2.1 million. The Treasury is clearly not sharing all its worries with the Employment Secretary.

As you know, Michael Howard has come under some fire, inside and outside government, for concentrating his cuts on ET. His argument was and still is that it would be a major political mistake to reduce our commitment to the embryonic TECs. He also

argues, on the merits, that ET's performance in getting people into jobs has been disappointing. Fair points. But he is in trouble on ET. His provision for 1991-92 assumed the number of people on ET courses would fall to around 125,000 this year; in fact, they will end the year on about 190,000. If they start 1991-92 at that level, they will have to bring the numbers down sharply to stay within budget. He says:

- the number of long-term unemployed and disadvantaged being helped in ET will be halved;

- the unemployment count will go up by nearly 100,000.

He is asking for an extra £125m, in order to take the number originally planned - 245,000 - on to courses in 1991-92.

Conclusion

Some extra money will have to be found. But there is a real choice here. Either you and he go for maximum impact on the unemployment register (in which case he will have to backtrack on TECs) or follow the consequences of his argument that ET is not an very effective job rehabilitation scheme, and give him very little. What's more, you should insist the money is targeted on particularly disadvantaged groups.

Training

Andrew Turnbull raised with you an earlier training initiative by Michael Howard, intended to bring some order to the training system. He felt this was too brusquely rejected. Howell's understanding is that Michael Howard now sees the TECs as a catalyst for change and rationalisation in training and is not keen to reopen the issue. He believes it would be quite

difficult to tidy things up without involving the TECs very closely, and given they have just got going, Mr Howard may feel that would be premature.

Michael Howard did want a universal system of credits for school leavers from 1991. The Policy Unit apparently urged pilot schemes, rather than a "grand gesture". Michael Howard is, apparently, still keen on credits; but feels the money is better spent, right now, on unemployment fire-fighting.

Conclusion.

I fear he must be right; but we should come back to it for the manifesto, and he should be encouraged to develop these ideas at the necessary speed. In the meantime, I do agree with Andrew that more could and should be done now to tidy up qualifications. But while Andrew may be right that Michael has busied himself with industrial relations for want of other activity, and that training is where he should be directing his attention, the interest in legally enforceable contracts probably reflects his legal background more than anything. However, that has disadvantages as well as advantages; Lawyers are constitutionally inclined to produce legalistic solutions to problems which may not be as serious as their tidy minds suppose.

SARAH HOGG

057)

29.01.
PM 11

PRIME MINISTER

BILATERAL WITH THE EMPLOYMENT SECRETARY

You are meeting Mr Howard at 1715 tomorrow.

The meeting was arranged to consider industrial relations issues - in particular Mr Howard's minute of 20 December (Flag A) and 14 January (Flag B). But he may also want to discuss further resources for training and employment measures. A Policy Unit note is at Flag C.

Industrial Relations

You saw Mr Howard's minute of 20 December earlier. The main proposals were:

A.

(i) ending the "check-off" system for payment of trade union dues by direct deduction from wages;

(ii) the introduction of legally enforceable collective agreements;

(iii) the abolition of Wages Councils.

The second minute (with which the Chancellor concurs) proposed ending Exchequer support for:

B.

(i) meeting trade unions' costs in organising strike ballots, leadership elections, etc;

(ii) supporting the costs of training trade union officials.

Sarah Hogg has spoken to both Mr Howard and Mr Patten. The latter advised against an early Green Paper floating the measures at A. And in preliminary discussion with Sarah Hogg, Mr Howard has gone some way towards accepting that such a package might be more appropriate manifesto material.

No doubt the proposals at A are sensitive. Yet they are important, particularly Aii), in helping secure more stable

industrial relations. You may judge that it would be unwise to open another front with the trade unions at a time of rising unemployment. But should some of the ideas be trailed in speeches?

The measures in category B are less controversial. They are supported by the Chancellor. The sums (£7m. p.a.) are small for Government - though relatively large for trade unions. The arguments for action now is more finely balanced. Perhaps the safest course might be to trail these also in speeches - but with a view to taking early action depending on public and trade union responses.

Training and Employment Measures

Strictly not on the agenda. But I would be very surprised if Michael Howard did not attempt a pre-emptive strike. He is actively pursuing more resources for employment and training measures with Treasury Ministers. (N.B. Mr Howard does not know you are informed about this: so please protect the Treasury sources from whom the following information has been obtained.)

Mr Howard is seeking an extra £200-300 million for employment and training measures in 1991-1992. His case is as follows:

(i) The Employment Training (ET) budget was harshly cut back in the Autumn PES round: those cuts now need to be reversed.

(ii) The PES settlement was predicated on an unemployment figure of 1.75 million for next year. Mr Howard thinks the Treasury may revise this figure up to 2.1 million. (As you know, the unemployment is actually forecast to be even higher.

(iii) The TECs are up and running well ahead of schedule. But to be active and successful, they

need more resources.

Senior Treasury officials privately accept that, with the forecast rise in unemployment, some additional resources will be needed for the employment programme. But the Treasury:

- is very keen to avoid any concession now:

- wants to delay any announcement to around Budget time (and conceivably include it in the Budget package along with a new tax relief for those who pay for their own training); and

- envisage a much smaller addition, perhaps of the order of £70 million.

Line to Take

In the discussion, you will wish to give no hint of the Treasury stance, or sympathy for extra resources. (You may also wish to report the outcome of your discussion to the Chancellor immediately afterwards at your bilateral.)

There are some key issues you might discuss with Mr Howard:

* What would be the objective of any additional resources? How far are they designed just to have a beneficial impact on the unemployment register; and how far should extra resources be devoted to improving training?

* There are some relatively cheap "register efficient" measures which Mr Howard is thinking of. These include an extra Restart interview for the unemployed after three months; more resources for Job Clubs; and JIGs (a scheme that encourages employers to take on an unemployed person for a trial period). Such measures have the advantage of not pretending to be any form of training (and thus are cheap). They are designed to smooth out inefficiencies in the labour market - lack

of information, resistance to taking on the unemployed, etc.

* Reversing the cuts in ET is also initially register effective. But per unemployed person training is much more expensive. Two reasons for being dubious.

  First, some anecdotal evidence from the TECs is discouraging. They are devoting more resources to training those in work than those out of work. They may not yet be as good as the old Training Agency in organising resources. Can they cope with the rise in unemployment?

  Second, the record on employment training remains discouraging. Only 39 per cent of those, who go through ET are successful in finding a job afterwards. Mr Howard himself is on record as saying that training is not usually the best way of reabsorbing the unemployed.

* Mr Howard is thought to be working on a new workfare ideas, called the Temporary Work Scheme. The Treasury know little of its shape or format. Though workfare is politically controversial, it could be worth exploring his ideas.

* Running costs are generating a bitter dispute between the Treasury and the Department of Employment. The Department of Employment say their running costs provision on the employment services is wholly inadequate for the projected levels of unemployment. The Treasury counter by pointing out that Mr Howard allocated only 30 per cent of the extra money won in the Autumn PES round to employment services - even though they account for nearly 60 per cent of his Budget. Best to let this be resolved between the two Departments!

Conclusion

Your aims at the bilateral might be:

(i) to agree that the big industrial relations package - A - be developed by the appropriate policy groups as manifesto material. Should they be trailed in speeches in advance?

(ii) to decide whether to introduce the more modest measures at B: again, should they be trailed in speeches?

On employment and training measures, you can listen to Mr Howard's ideas and encourage him to talk further to Treasury Ministers.

BHP

BARRY H. POTTER
29 January 1991

C:\ECONOMIC\HOWARD (DAS)

PERSONAL

PRIME MINISTER

MEETING WITH ENERGY SECRETARY: WEDNESDAY 16 JANUARY

The Energy Secretary has been pressing for a short meeting with you for some time. Because of diary pressures it has not been possible to fit him in until 9 am on Wednesday. He proposes to raise the following:

(i) His political future. He does not intend to stand at the next election and had informed Mrs. Thatcher of that some time ago. He is looking for a suitable time to announce this and believes this would best be done in the spring after the electricity privatisation.

(ii) Future of the Department. You have stated that you currently have no plans to wind the Department up and that it is your expectation that it would have sufficient work to take it through to the election. Mr. Wakeham is particularly keen to make further progress on planning for coal privatisation so that the Manifesto can contain not just an idea but one which is backed by well thought out proposals which can be put into effect quickly in the next Parliament.

(iii) House of Lords. I doubt if he will seek a commitment from you though he hopes that he would be able to go to the Lords. He still retains an interest in politics; it is only the hard grind of the constituency and Ministerial duties that he is not fit enough to sustain. He would be active in the Lords rather than simply taking the peerage as an honour.

(iv) Fundraising. He will offer to help Chris Patten with fundraising by hosting dinners with potential donors. He believes the presence of a Cabinet Minister provides a pull on such occasions but Chris Patten cannot be expected to do it all.

PERSONAL

(v) Electricity privatisation. He will be able to explain how he reached the decision to sell only 60 per cent of the generators. In part this was because the generators' dividend forecast was too low though in the end the difference was not all that great. National power offered £106 million and he was seeking £112 million. Left to himself he would probably have struck a deal somewhere in the middle. Kleinwort Benson were advising this. But the Treasury and his own officials advised against this, in part in order to secure a better price on the 60 per cent, and in part to provide an insurance should the share price rise substantially after the sale. The Treasury also preferred to spread the proceeds. Although the fiscal prospect for next year is weak, difficulties will continue throughout the medium term. The Treasury therefore favoured holding back assets to sell three or four years hence.

ANDREW TURNBULL
14 January 1991

C:\PPS\ENERGY (ECL)

bc: JC
JH
GB
AT
DM
E. O'D.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 January 1991

Dear Laura,

Following our rather involved telephone conversation this afternoon, I confirm the times for the following meetings with the Prime Minister on Tuesday, 15 January:

1230	Party Chairman and Chief Whip (Liaison Meeting)	In No.10
1845	Lord Privy Seal, Lord President, Party Chairman, Chief Whip, Cabinet Secretary (Legislative Programme)	In PM's room, H/C
1915	Lord Privy Seal, Lord President, Party Chairman, Chief Whip (Parliamentary Business Managers)	In PM's room, H/C

I am copying this letter to Hilary Paxman (Lord President's Office), Shirley Oxenbury (Chairman's Office), Robina Finlay (Chief Whip's Office), and Mike Sweet (Cabinet Office).

Yours sincerely,

Sandra

SANDRA PHILLIPS

Miss Laura Hester,
Office of the Lord Privy Seal.

Barry

PI can you explain whether this is urgent. I thought it had been settled that D/E was to chair.

MISS PHILLIPS cc Mr. Potter

John Wakeham telephoned and would like a half-hour meeting with the Prime Minister either at the tail end of this week or on the Monday/Tuesday of next week. He wishes to discuss the future of the Department of Energy and one or two other things about which I shall speak to Barry when I return.

Could you please fix a meeting with John Wakeham's Diary Secretary.

Pam Mann

pp DOMINIC MORRIS

31 December 1990

PRIME MINISTER

BILATERAL WITH THE DEFENCE SECRETARY

The Defence Secretary is coming in to see you on Monday at 1400 for a general talk. There are several issues you will want to cover.

The Gulf

He will want to brief you on our military dispositions in the Gulf (although you are to have a full military presentation later in the week).

We are still engaged in discussing strategic objectives with the Americans, as the basis for military planning and targeting. I attach a copy of the paper which we put to them.

Our views on the timing of any military operations are now fairly close. They cannot start before 15 January, unless the Iraqis move first: and the Americans have accepted that they cannot begin later than 15 February. Our forces are unlikely to be ready much before 1 February.

The Defence Secretary will probably want to tell you something of American military planning. They envisage a three-week bombing campaign to obliterate as much of Iraq's military capability as possible, as well as key installations like television and radio transmitters. Only after that would they contemplate moving their ground forces, in the hope of minimising casualties.

Our forces would be under overall American command and would have a fairly prominent role in a ground offensive against Iraqi forces in Kuwait. It is impossible to make anything more than an educated guess at casualties: the Chiefs of Staff are reluctant to commit themselves.

An issue which will come up later next week in OPD(G) is our policy on immunisation against Biological Weapons (as assessment

of Iraq's chemical and biological weapons capacity is elsewhere in the box). You have already made clear that you cannot see how we could fail to protect our forces if we have a vaccine available, whatever the position of the Americans. Another issue on the military side is planning for release and recovery of the hostages once military operations start.

Finally under this heading you will want to take the Defence Secretary's advice whether you should visit our forces in the Gulf. Possible dates would be immediately after a visit to Washington on 21 December: or in early January next year e.g. the week 4-8 January. There is also the question whether the Defence Secretary should accompany you.

Defence spending

He is likely to tell you how difficult it is going to be to live within his spending laws this year, even though special provision is being made for the cost of our forces in the Gulf.

Procurement decisions

You might ask him about some of the pending procurement decisions. There are signs that the Germans may pull out of the European Fighter Aircraft project: what would we do then? We can hardly afford to go ahead alone with the Italians and Spanish. We are already running behind the decision on a new tank to succeed the Challenger I. There is still no decision on an overall contractor contract for the EH101 helicopter. All these contain potential for expensive disaster.

Political problems

Three other problems which could give rise to political difficulties are:

- the corrosion problems which have affected our nuclear submarines. The extent of these is not yet known publicly, but will probably leak eventually. At worst much of our

nuclear submarine fleet including the Polaris deterrent could be out of action for a substantial period;

- the future of individual regiments, including the Gurkhas. This is the old 'cap badge' problem which is likely to come up again because of the reductions in armed forces envisaged by the Options for Change exercise;

- the Directorate-General of Defence Quality Assurance, which is supposed to be re-located to Stockton-on-Tees, a move which is of intense interest to a number of Conservative MPs in the area. But revised assessments of the cost of this move are so great that we may have to change these plans. That would be most unpopular in the North.

Nuclear deterrent

There are no immediate problems here. The Trident programme is coming along quite well, although there could be delays in warhead production because of difficulties at Aldermaston. We shall need a decision soon on a new system for communicating with our Polaris, and later Trident, submarines. The present system is inadequate and vulnerable, but will be very expensive to replace. Further ahead we have to decide on acquisition a tactical air-to-surface missile to replace our free-fall nuclear bombs. In the past we have always bought American: this time there is some pressure to buy French for political reasons. But we do not want to end up with a "diplomatic" weapon.

(C. D. POWELL)
30 November 1990
a:DS (srw)

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

Prime Minister

This slot 12-30 - 12-45 was originally set aside for Sir Geoffrey Howe. Although there is no specific business, would you like a short chat with N MacGregor about his role as Leader of the House?

Yes pse

AT

2/11

CONFIDENTIAL

PRIME MINISTER

PARTY CONFERENCE

Mr Baker would like to have a political conclave after Cabinet tomorrow. His aim is to inform colleagues about the themes he is developing for the Conference so that they can speak on them in their speeches. You have two important meetings after Cabinet, the security implications of increased PIRA activity on the mainland, followed by a talk with the Secretary of State for Defence and the Chief of the Defence Staff.

Would you prefer to postpone the political discussion until next week (which has been the more usual occasion for it)?

Andrew Turnbull
26 September 1990

c: party (MJ)

1

FOR CHARLES POWELL FROM DOMINIC MORRIS

Agree to see CP? CDM

Cecil Parkinson has asked if he could come in to see the Prime Minister for half an hour next Thursday for a purely personal chat.

I suspect the Prime Minister has not yet decided what her plans are for the tail end of next week, after Ian Gow's funeral.

When she has done so, perhaps you could let me know whether she would be willing to see Mr. Parkinson.

DOMINIC MORRIS
1 AUGUST 1990

(MRM)

13(a-c)

SUBJECT
cc MASTER

NOTE FOR THE RECORD

PRIME MINISTER'S MEETING WITH THE SECRETARY OF STATE FOR TRANSPORT

The Transport Secretary met the Prime Minister today to discuss the transport programme.

The Transport Secretary said that he had rapidly discovered transport was a highly controversial political area. The roads lobby was massive and consistently argued that the Government was not doing enough. The rail lobby was also significant. Moreover, despite progress in many areas, for example the opening of the new or refurbished air terminals at Gatwick, Terminal 3 at Heathrow and at Stansted, the Government was not getting across the message that far from lagging behind European competitors, massive investment was going on.

It was vital to strike the right balance between the different modes; and then to take the line that each - road, rail, etc. - was getting as much in the way of resources, within a balanced programme, as could be afforded.

However, the roads programme was barely adequate. The original 10-year programme had already slipped; and it would now take more like 13 or 14 years to complete. Although he was planning to reduce the figure of £2 billion in bids put forward by officers in the department, he would have to seek some extra resources. In short, raiding the roads programme in order to provide resources for other transport projects such as the East West Cross Rail was not an option.

The following points were made in discussion.

(i) Within London there was major expenditure on the North Circular Road to recreate an Inner London box: the road

6

in the Prime Minister's constituency, which had previously caused her concern was part of this new network. The Department were able to direct new by-passes and connecting roads in urban areas taking into account a wide number of criteria. There was little scope for cutting back roads in the north: as areas like Stoke and even Wigan began to expand, the roads network was rapidly proving inadequate. On some sections of motorway, the overcrowding was chronic.

(ii) Improved roads were also necessary between Newcastle and Scotland and in particular into East Anglia. Felixstowe Port already handled as much traffic as the channel tunnel would at its maximum: the roads were wholly inadequate to Felixstowe.

(iii) Downward pressure might be put on contract prices in order to squeeze more volume out of a given cash road programme. A German contractor in co-operation with a British counterpart had been asked to complete a stretch of road. The aim was to provide a benchmark and to remind the UK construction industry that they faced competition from overseas as well as domestic firms. This would be valuable in putting pressure on the UK industry.

(iv) Although companies like British Tarmac were efficient, it was important to recognise the deficiencies in the UK transport/construction industry. For example, the UK contractors on the channel tunnel were simply not as good on a technical basis as their French counterparts. The UK management side was now effectively led by Americans. Also the Docklands Light Railway had relied on people trained in the Hong Kong Mass Transit System. Hopefully in time the widening experience from such projects would increase UK competitiveness.

Summing up the discussion the Prime Minister said that controlling public expenditure was one of the biggest problems now facing the Government. In principle it was necessary to shift resources away from social programmes and towards income generating capital projects. The case for an East West Cross Rail had to be seen in that context. But if there was a postponement of rail or road projects, the transport problems would become worse in the early 1990s once the economy picked up.

BHP

BARRY H. POTTER

22 May 1990

a:\economic\transport (srw)

SECRET AND PERSONAL 12(a-c)

PRIME MINISTER

MEETING WITH MR. PARKINSON

Mr. Parkinson is coming to see you for a private discussion at 11.15 am tomorrow morning.

His Private Office have declined to reveal the real purpose of the meeting. Their line is that, after nine months in post, Mr. Parkinson considers he has a good overall perspective on the balance between different transport modes and the right transport mix for the future. He simply wishes to check that you share this broad overview of the way ahead.

However, from other contacts, I understand that Mr. Parkinson may have three particular objectives in mind.

First, he wants to secure your support for additional resources for the transport programme so that the East-West cross rail project can go ahead. He does not want to accommodate East-West cross rail within the existing programme by cutting back on the roads programme. He will argue:

a) that the resources available for the transport programme are just too tight; and

b) that he would not wish to delay popular road projects, many of which are in marginal constituencies.

I attach (as background at Flag A) a recent note on this.

Second, I understand Mr. Parkinson will argue against any alternative routes being considered for the Channel Tunnel rail link. The existing proposal through Kent should be reserved.

The line taken by the Chief Secretary, backed by advice from within No.10, is that it is logical to look at other routes now:

SECRET AND PERSONAL

i) because the Government needs to examine whether they offer a better option, including the possibility of a viable joint venture; and

ii) because wider objectives and interests need to be considered - including related projects such as East-West cross rail and the MCA development at Rainham Marshes. The relevant papers are at Flag B.

Third, Mr. Parkinson may mention a new review of the shipping industry which he has in mind. This is a joint initiative with Sir Jeffrey Sterling. The proposal has already been discussed with the Chancellor. The review would:

i) examine the competitive state of the UK shipping industry;

ii) consider options for changes to regulations (mainly DTp) which might improve the industry's competitiveness.

The review would not consider fiscal changes. But the Chancellor would listen to a deputation from the General Council of Shipping in the Autumn.

Conclusion

On East-West cross rail, you may judge that it would not be right to give any indication to Mr. Parkinson that extra resources for transport could be made available for East-West cross rail in advance of the normal PES discussions.

Putting more into such capital spending, with its wider benefits to future wealth creation, is attractive. But cutting back on other public spending programmes to accommodate it is very difficult and can only be managed within the PES framework. Any words of comfort to Mr. Parkinson, let alone unqualified support, for the project now are risky given the very difficult public spending position. Instead, he should be required to spell out what accommodating East-West cross rail means for delays to the

roads projects, within an unchanged transport programme.

On the Channel rail link, you are meeting Mr. Parkinson and Treasury Ministers on Thursday for a wider discussion on the Channel Tunnel rail link. It is best not to be drawn on the options before then.

On the shipping industry, you need only note the proposed review.

BHP

(BARRY H. POTTER)

21 May 1990

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PRIME MINISTER

MEETING WITH THE TRANSPORT SECRETARY

The Transport Secretary wants to have a private word with you in advance of any wider discussion on the Channel Tunnel rail link.

I have tried to probe exactly what Mr. Parkinson wishes to discuss. I suspect he may wish to raise not only the Channel Tunnel rail link but also East West Cross Rail. There are considerable pressures on the existing transport budget; and Mr. Parkinson is taking the line that he cannot find ways of accommodating any extra projects.

(i) Do you want to agree to see Mr. Parkinson privately; and if so do you want to allow him an hour (or some shorter period)?

~ Yes pl

BHP

BARRY H. POTTER
15 May 1990

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(slh)

PRIME MINISTER

BILATERAL WITH DEFENCE SECRETARY

You are to see the Defence Secretary tomorrow morning.

You will want to commiserate again over the Appeal Court verdict on the Winchester Three.

You said that you would want a further word with the Defence Secretary before a final decision was reached on the award of the Tristar Maintenance contract, for which Marshalls of Cambridge are competing with Deutsche Airbus. The MOD advice is that Marshalls bid is non-compliant, important elements are cost-plus not fixed price and that Marshalls cannot offer the reliability of Deutsche Airbus. The RAF are said to be happy with Deutsche Airbus. Mr. Marshall himself contests these points, and argues that the cost across the exchanges should also be taken into account. Another consideration is the wisdom of making a rather crucial aspect of our defence dependent on a foreign country (although this is not unprecedented eg. Trident), especially when it is Germany. I fear that good procurement practice and value for money point towards Deutsche Airbus. You might ask whether, even at this late stage, there is any way in which Marshalls can be associated in the contract with them.

You might take the opportunity to stress the need to get on with the work on EH101. Professor Hartley has agreed to advise you again, and you will be meeting him in the week 14-18 May. We really must have the full presentation very shortly after that, followed by a further meeting of OD to reach a decision. (MOD are saying that they cannot do it until June.)

You also need to remind Mr. King of the commitment to come forward with the first results of the 'defence options' commissioned at Chequers by the end of May. You may ask him whether any preliminary conclusions can yet be drawn.

Finally you might ask whether there are any indications yet of the reasons for the Shackleton crash.

CDP

C. D. POWELL
2 May 1990

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(slh)

file this

10 DOWNING STREET

Charles

~~The~~ This paper is not in CR's domain + we would normally send it to Appts.

Because of the caveat ~~on~~ you may wish us to keep it.

Content for it to go to Appts?

Please cut off the last 2 paras. & send to Appts.

Brian

5/2

SECRET AND PERSONAL

11a-c

PRIME MINISTER

BILATERAL WITH THE DEFENCE SECRETARY

The Defence Secretary has asked for a meeting tomorrow. He wants to talk about a successor to the Chief of the Defence Staff. The meeting will also be an opportunity for you to enquire how work is coming along on the papers on our defence policy commissioned at the Chequers seminar.

TEMPORARILY RETAINED J. Gray 14/3/2017

THIS IS A COPY. THE ORIGINAL IS RETAINED UNDER SECTION 3 (4) OF THE PUBLIC RECORDS ACT.

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TEMPORARILY RETAINED G. Gray 14/3/2017

THIS IS A COPY. THE ORIGINAL IS RETAINED UNDER SECTION 3 (4) OF THE PUBLIC RECORDS ACT.

Defence Policy Options

The Ministry of Defence were asked at Chequers to produce a paper on the future structure of our forces, and their equipment needs. I understand they are working up options for possible withdrawal of some of our forces from Germany and are concentrating on two

main options: reducing our forces in Germany to two-thirds and to one-third of their present level. The Defence Secretary was supposed to report to you on progress within one month (which will be 26 February). You may like to enquire about progress.

Submarine Operations

You will want to enquire about the latest position on the cracking discovered in the pressure vessel of the reactor in one of our nuclear-powered submarines, and the progress of the checks being carried out on the others.

CDP

CHARLES POWELL
14 FEBRUARY 1990

a:\foreign\defence.mrm

PRIME MINISTER

AGRICULTURE

You are seeing Mr. Gummer at MISC 138 tomorrow to discuss the Richmond Report. You might like an up-date on the other issues you discussed with him recently.

(i) BSE: Mr. Gummer consulted the Treasury and secured agreement that compensation should be raised to 100 per cent. This was announced in his speech to the NFU AGM. – Flag A Although the under-lying reason is the worry that unscrupulous farmers may pack sickening cows off to market MAFF do not want to draw attention to this as it could cause loss of confidence in the measures already taken. Instead they have developed the argument that while 50 per cent compensation was valid when losses were running at a low level, higher compensation is justified as losses increased. At Treasury insistence this was prefaced by a warning that farmers could not expect to come running to Government every time they ran into difficulties.

(ii) Green Pound: Mr. Gummer put to the Treasury his proposal that half the MCA gap should be closed next year rather than the third proposed by the Commission. The Chief Flag B Secretary did not want to go that far, his worry being more the public expenditure cost than the effect on prices. The cost over existing provision would be £71 million next year rising to £116 million. Instead he suggested 35 to 40 per cent of the gap. This would mean increases in the range 4.2-7.5 per cent according to the product, against 3.5-6.7 per cent proposed by the Commission and 5.3-9.5 per cent proposed by MAFF.

For the time being, MAFF do not need to go public on a figure. They have agreement to indicate a willingness to do as much for farmers as the constraints of public expenditure and the effect on inflation allow; and they are able to explore with the Commission the possibility of going beyond

their proposal. The Treasury have, however, warned that MAFF should not push the proposal to the point where it could only be secured at the expense of costly concessions elsewhere in the package. The precise negotiating remit remains to be agreed.

(iii) Richmond Report publicity: it is essential that there is a clear understanding on who is in the lead on this report. At his meeting with heads of information Bernard detected a reluctance on the part of Health and MAFF to take responsibility. He has got Health to accept that they should be in the lead and that MAFF should weigh in strongly in support. It would be helpful for you to emphasise this at the meeting.

AT

(ANDREW TURNBULL)
13 February 1990
a:\pps\agriculture (srw)

Meeting Record
cc Master.

file SD/

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

6 December 1989

Dear Roger,

MEETING WITH MR. PATTEN TO DISCUSS HANDLING OF MISC 141

The Prime Minister and the Secretary of State for the Environment today discussed the handling of the new Environment Cabinet sub-Committee, Misc 141.

I would be grateful if you could ensure that the following receives only a limited circulation.

Mr. Patten explained the thinking behind his memorandum, which Misc 141 would tomorrow consider; and he set out the ground he thought the White Paper on the Environment should cover. He said he had aimed in his initial paper to set out the issues which needed to be addressed, rather than to propose to other Departments what action they should take. It would be possible to decide in the first meeting of Misc 141 which areas were off bounds. He thought that the timing of the action proposed in the White Paper was sensitive. The White Paper should set out rigorously the intellectual foundation for action in the long-term. Market-based solutions were important but it would be difficult to implement specific proposals in the short-term, he thought. But a well developed strategy for long-term action was essential: we must maintain the initiative internationally to avoid being dragged along in the "chariot wheels" of others. The White Paper should also set out a range of concrete and attractive initiatives - which could be implemented in the short-term - to address particular environmental problems.

The Prime Minister said that the White Paper would be more of a "bible" than a White Paper, and was of tremendous importance. She basically agreed with Mr. Patten about what the White Paper should propose for the short and the long term.

She was struck by the enormity of the problem of global warming; and said that the problem would become worse if the world's population continued to grow. Methane as well as CO2 is problem, she stressed. There was no clear way forward. She had been interested in Professor Lovelock's idea of storing CO2 underground, but had just been told by John Mason that the costs of doing so would be prohibitive. She suggested that we needed to

CONFIDENTIAL

carry out more population studies. She was concerned by the terms of the Noordvick Declaration, which had agreed that the CO2 emissions would be stabilised by 2000. The Secretary of State commented that the agreement could be interpreted in a great many ways. On acid rain, she did not think there was much more that could be done. She was relatively happy with what we had achieved on the ozone layer.

On specific policies to combat global warming, the Prime Minister said that decisions had already been taken about road pricing, and that she did not want to see this re-opened. She was also concerned by the effect of any taxation on the Retail Price Index, and stressed the need to avoid setting off rumours that taxes would be raised. She did not think the time was right to use higher prices to curb energy consumption, although she recognised that this was one mechanism for achieving this.

The Prime Minister and your Secretary of State discussed some of the other areas which the White Paper might cover:

- Sewage: the Prime Minister said she favoured the idea of stopping sewage outflows into the sea; and into the northern rivers which flowed into the North Sea (she mentioned the River Don or the Rother as particular examples). Mr. Patten said that the Department of the Environment was carrying out research into the dumping of sewage sludge and disposal of sewage through outflows into the sea. The Prime Minister was less concerned about sewage sludge because it had been processed, but Mr. Patten said that it still presented problems;

- Energy Efficiency: Mr. Patten said that there was considerable scope here to reduce energy consumption, and the Prime Minister agreed, commenting that it would not necessarily involve extra Government expenditure. Your Secretary of State mentioned the research being carried out by the Building Research Establishment which is looking at ways of increasing energy efficiency through methods of construction. The Prime Minister referred to an earlier proposal to appoint an Energy Director for the public sector to improve our energy efficiency;

- Cars: the Prime Minister mentioned her concern about the increase in the use of cars, and Mr. Patten commented that although we may lag behind other countries on car ownership, we were ahead of others in vehicle miles per car;

- Litter: the Prime Minister asked whether a Clean Sweep Britain campaign might be launched, perhaps clearing the litter off motorways, and involving scouts and young people. Mr. Patten stressed how important it was to involve people in these campaigns. The Prime Minister also mentioned the importance of action to keep commercial frontages litter-free. She particularly disliked black plastic sacks which often themselves caused a litter problem;

- Conservation: the Prime Minister said that she was worried by action which would disturb the balance of nature, particularly the consequences of genetic engineering;

- Disposal of waste: the Prime Minister said she was horrified by the amount of land-filling. The problem was all the worse because organic material produced methane. Mr. Patten explained that one effect of the new Environment Protection Bill would be that the real costs of land-filling would become apparent, and recycling would therefore be encouraged. She wondered whether we could learn from the examples of other countries in dealing with waste.

The Prime Minister stressed the importance of the presentation of the White Paper. It must be accessible - schools, for example, would want to make full use of it - and it must be beautifully produced. It should avoid jargon and "comfortable phrases," the meaning of which were far from clear. She mentioned that in her speech today to the Parliamentary and Scientific Committee she had attacked the term "sustainable development". They agreed that the White Paper should also set out the Government's considerable achievements on the environment; and she wondered whether it might be produced in two parts - one celebrating achievements, the other pointing to the way ahead. The last Conservative Manifesto might be a model.

Your Secretary of State stressed that he very much wanted the Department of the Environment to play a full part with the Cabinet Office and the Treasury in producing and drafting the White Paper. He mentioned that the Chancellor of the Exchequer and the Chief Secretary were taking a very positive interest in the environment, and both hoped to make speeches on the subject.

Yours sincerely,

(CAROLINE SLOCOCK)

Roger Bright, Esq.,
Department of the Environment.

CONFIDENTIAL

file

PRIME MINISTER

MEETING WITH MR PATTEN, 6 DECEMBER: HANDLING OF MISC 141, THE NEW ENVIRONMENT COMMITTEE

You saw a number of papers on Misc 141 in your weekend box. I am adding a further brief at Flag D from Carolyn Sinclair, which I think sets out very clearly the fundamental and very difficult issues which need to be addressed on greenhouse gases.

Carolyn wonders whether she might sit in on your meeting with Mr Patten, who has asked to see you to discuss the handling of the Cabinet sub-Committee. I do not know precisely what he wants to cover but, as he may want a semi-private word, you may think it more appropriate for only a note-taker to sit in.

A key issue for 141 will be how to achieve a reduction of greenhouse gases without damaging the economy and dismantling existing policies eg regulation/pricing policies possibly affecting the electricy privatisation; and on road pricing and public transport. Mr Patten's paper for Misc 141 suggests that in looking for solutions, these and other policies need to be looked at. You will need to establish in the first meeting of Misc 141 just how far this should be done; and you may well want to talk this through with Mr Patten tomorrow.

You may also want to talk about the work programme for Misc 141 which Richard Wilson suggests should be circulated after Thursday's meeting. A proposed work programme is attached to his steering brief at Flag B.

One issue is perhaps the contribution of the Treasury to the work on greenhouse gases. Carolyn's note says that the Chancellor is nervous that any proposals in writing on specific tax proposals may leak; although he is not averse to private, bilateral discussions with colleagues; and to producing a paper for the third meeting on the economic instruments available to Ministers.

His memorandum (Flag C) says that his officials will work closely with Departments in preparing their options paper for the second meeting. This work can then feed into the Treasury paper. Carolyn and Richard Wilson are satisfied that this is the right approach.

The papers attached are:

Flag A — A handling brief from Richard Wilson on Misc 141, including a proposed work programme;

Flag B — A memorandum from Mr Patten for Misc 141 seeking agreement to underlying principles and outlining three priority areas;

Flag C — A note from the Chancellor for Misc 141 stressing the need for a specific work programme and stressing the need for caution in making public commitments about tax;

Flag D — A note from Carolyn Sinclair.

I suggest that in tomorrow's meeting you:

- endorse the principles of environmental policy set out in Mr Patten's memorandum;

- consider just how far ranging the review of policies in this area can be;

- discuss options for a work programme for Misc 141.

Content that only a note-taker should be present in addition to yourself and Mr Patten?

Caroline Slocock
5 December 1989

PRIME MINISTER

MEETING WITH THE SECRETARY OF STATE FOR WALES

Mr Walker has asked to see you to discuss your trip to Wales on Friday. The programme for your visit was largely designed by him personally. He may well want to brief you on how the visit will illustrate the success of the Government's strategy for Wales, from the Valley's initiative (you will be visiting a land reclamation site in the Rhondda Valley), to redevelopment of urban areas (you will be passing through the Cardiff Bay Development Area), to the rejuvenation of old industries (you are visiting a successful steel works) to the success of Wales in attracting inward investment (you are visiting a major new Japanese plant at Newport). I understand that he will encourage you to say a few words to the press at the end of your visit about your impressions. There is an opportunity built in at the end of the programme, should you wish to take it up.

Despite tight security, there have been press reports about your visit yesterday and today; and we know that there will be a demonstration by students outside Allied Steel and Wire - and there may also be elsewhere. The detectives say that they know of no threat to your physical security so far; and they do not therefore advise that you should withdraw from the visit on security grounds. They think that the demonstration at Allied Steel and Wire can be contained outside the gates and is likely to only disturb your visit as you enter the factory by car. Given that your visit is now publicly known, it would be difficult in any case to cancel it. You may wish to discuss this with Mr Walker.

Attached are:

- a note on the programme by Sarah Charman (detailed briefing annexes are not yet attached);

- political briefing on bull points about Wales.

C185

Caroline Slocock
15 November 1989

PRIME MINISTER

MEETING WITH THE LORD PRESIDENT

The Lord President's Office understand that, following your meeting, you agreed:

(i) that there should be regular bilaterals;
(ii) that the Lord President should become a member of OD(E).

I believe that (i) is correct, but weekly seems excessive in addition to the 'Colleagues' meeting on Mondays followed by the lunch which Sir Geoffrey will often attend. Do you prefer

weekly
fortnightly
monthly?

On OD(E) I know you were initially reluctant on the grounds that you did not want a former Foreign Secretary crowding the patch of the new Foreign Secretary. Against this it can be argued that many European issues do have legislative/Parliamentary implications for which the Lord President is responsible.

What did you conclude? – Bilaterals – suggest fortnightly.

AT

– Most things can be left at OD. Only very delicate issues, points at OD(E)

ANDREW TURNBULL
6 November 1989

PRIME MINISTER

SECRETARY OF STATE FOR TRANSPORT

BRITISH RAIL

As you suggest, I would welcome a discussion with you later this month of the proposals in my minute of 25 September. There are two matters, however, that need to be settled this week.

The first concerns my speech to the Conference. I had been planning to say the minimum about privatisation. I do not think that it would be possible, however, to say nothing, especially since Paul Channon made such a feature of it last year. I hope you would agree, therefore, that a glancing reference should be included to make clear that no decisions have been taken; that the options are still open and are an issue for the longer term; and that our top priority is to press forward with improvements to public transport under the present arrangements. I will clear the precise words with your office.

The other urgent matter concerns London commuter fares. Decisions cannot be delayed until the end of this month. The arrangements for a fares increase are enormously detailed and have a long lead time. If there is to be an increase in January, British Rail and London Regional Transport say they have to announce their plans by 25 October. The level of the increase also significantly affects our Public Expenditure plans. I should be very grateful, therefore, if we could discuss this briefly before the end of the week.

BR propose to increase their London commuter fares by an average of 12 per cent (5 per cent in real terms). LRT would like to increase fares on average by 14 per cent (7 per cent real). This reflects our declared policy that a lower proportion

of the costs of public transport should be borne by the tax-payer and more by the users. But that is not the only reason. LRT are faced with greatly increased costs to improve safety and to relieve the serious congestion caused by the large increase in demand over the last five years. BR are investing heavily in improving the capacity and quality of London commuter services and are faced with higher wage bills in order to attract and retain key workers in the South East.

Although LRT are proposing an average real increase of 7 per cent, some fares would go up by less and some by more. The highest increase would be just over 17 per cent (10 per cent in real terms) and would fall on passengers who buy Travelcards for use on the Underground in the Central Zone where the costs (and congestion) are greatest. On British Rail, the highest increases (20 per cent in cash terms for standard class) would fall on some 15,000 long-distance commuters who use Inter City. BR announced last year that these further increases were coming. Both operators plan increases of between 2.5 per cent and 3 per cent (real) in 1991 and 1992.

In our preliminary discussions about Public Expenditure over the next three years, Norman Lamont and I have built these proposed fare increase assumptions into our calculations. If we were to press BR and LRT to adopt lower increases, the Public Expenditure implications would be significant, but you may feel, as I do, that the political price would be even more significant.

C.P.

10 October 1989

PRIME MINISTER

TRANSPORT ISSUES: POSSIBLE MEETING WITH MR. PARKINSON

Cecil Parkinson spoke to me on the phone yesterday about a number of matters he would like to discuss with you while you are in Blackpool. On balance I think this would be desirable, and if you are content, Andrew will make the necessary arrangements. In advance of the meeting, Mr. Parkinson will send you a note; this is not yet finalised, but we have a rough idea of what it will cover.

I think there are likely to be three main areas he wants to talk about:

(i) What should be said about BR privatisation in his Conference speech.

(ii) The forthcoming announcement of fare increases by BR and LRT.

(iii) The position on his PES programmes.

BR Privatisation

When you saw some papers on this last week, you said that you did not want Mr. Parkinson to say anything about BR privatisation at the Party Conference.

He is likely to argue that he must say something, given that Paul Channon did have some material on this in his speech last year. When he spoke to me on the phone he was envisaging saying:

- as indicated by Paul Channon last year, work goes on on this issue;

- developments over the last year suggests the case for BR privatisation gets stronger all the time;

- but that is an issue for the longer term; the top priority is to press on with improvements to public transport under

present arrangements. He would then devote the bulk of this speech to those plans.

We have not yet seen the precise words he wants to use. I told him that, while you might accept the first of the three points above, you might be rather more concerned about the second point, which may be interpreted as quite a firm commitment to pressing ahead with privatisation.

I suggest that when he sees you, you could seek to clear with him the precise form of words he will use.

BR and LRT fares

In the same papers that you saw last week, Mr. Parkinson proposed giving Sir Robert Reid new objectives for BR, covering the next three years. These were:

(a) move the Inter-City and Freight businesses towards full commercial viability as quickly as possible;
(b) remove subsidy from the London commuter services and require the sector to plan for a full commercial return;
(c) recognise that subsidies will still be needed for the heavily loss-making Provincial services, but at a lower level than now.

You felt it was wrong to issue these objectives before the issue of the new BR Chairman was resolved and you were also concerned about the possible implications for fares in the London area over the next couple of years. You therefore resisted any early statement about the objectives and asked to discuss all the issues with Mr. Parkinson in late October/early November. My letter recording this is attached.

Mr. Parkinson is now likely to say that the issue of London commuter fares needs to be settled more quickly; if fares are to be increased in January, BR and LRT would wish to announce their plans by 25 October. The PES discussions between DTp and the Treasury are apparently based on assumed average real increases

for BR of 5 per cent and 7 per cent. Mr. Parkinson will want to know whether you are content with these figures. If they were to be reduced, it would of course add yet further to Mr. Parkinson's very large expenditure bids.

PES discussions

I am not clear whether Mr. Parkinson will want to raise this. If he does not, you will want to consider whether to raise the issue yourself; you will recall the Chancellor and Chief Secretary were very keen for you to intervene and tell Mr. Parkinson he must reduce his bids.

Mr. Parkinson claims he is being hard done to by the Treasury. Whereas the Treasury feel he is making outrageous demands. My information is that the latest ~~decision~~ position in the negotiations is:

- on the roads part of his programme, Mr. Parkinson has now reduced his bids over the three years to an aggregate figure of £2.2 billion, while the Treasury have offered an increase of £1 billion;

- On his nationalised industries, Mr. Parkinson's current bid over the three years is £4.7 billion, and the Treasury have offered £3.7 billion. (Please do not reveal that you know the Treasury figures).

The key issues are:

(i) how much extra is needed for the roads programme against the background of the White Paper which listed projects over the next decade or so of some £12 billion? The Treasury say that the £1 billion they have offered would raise roads expenditure by 42 per cent between the current year and 1992-93;

(ii) what provision needs to be made for the three "mega" projects; the Jubilee line extension, the Chelsea-Hackney line and the East/West cross route from Liverpool Street to Paddington? The Treasury have

accepted the first, and Transport have dropped the second. So the main outstanding issue is the East/West cross route. Based on what he told me on the phone, Mr. Parkinson may try to resolve the argument by pressing for an extended Jubilee Line extension which would take some of the traffic from the other proposed routes.

The Treasury do not know Mr. Parkinson may be coming to see you. Their tactics on the Transport PES programme are to try to isolate Mr. Parkinson and leave him as the one main unresolved programme. So the Chief Secretary is not planning to see him in Blackpool. While you will want to listen to what Mr. Parkinson has to say, you will presumably not want to undermine the Chief Secretary's position. General points you could make to him include:

- he must understand the implications of the present economic position for public expenditure bids;

- you understand that his bids were massive. How much is he currently bidding for over and above base line? And how much have the Treasury currently offered?

- surely it would be an acceptable outcome for Mr. Parkinson if he can present additions to programmes of several £billions over the period. And, as a past Chairman, it would be very damaging for Mr. Parkinson to press his case to the Chancellor.

PAUL GRAY

10 October 1989

PRIME MINISTER

BILATERAL WITH PETER WALKER: 14 SEPTEMBER

You are to see Peter Walker briefly after Cabinet tomorrow at his request. He wants to discuss with you a political/personal matter. He has not revealed its nature to his office, so I am unable to give you any guidance.

I will be on hand if you want me to sit in.

PAUL GRAY

13 September 1989

a:PW.PMM

Mtg. Record.

Subject filed on PRIME MINISTER

Bilaterals with various colleagues

Dec '85 cc MASTOR.

MEET. ART

cc G Guise

CO.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

13 September 1989

PRIME MINISTER'S MEETING WITH THE MINISTER FOR THE ARTS

Your Minister came to see the Prime Minister this afternoon to discuss the general position on the arts.

Opening the discussion he said that, over the last few years, there had been a substantial sea-change in attitudes in the arts. Private sector funding had substantially increased, audiences were rising rapidly - for example a record of 100 million people visiting museums this year - and centres of excellence were spreading around the country. At the same time standards of professionalism in the management of the arts were getting better, with improved delegation, marketing and the progressive introduction of incentive schemes. This was all most encouraging. But there was still a long way to go in a context where the political importance of the arts - like the environment - was increasing. A number of specific problems, such as the threat posed by higher inflation to the three year funding arrangements, also had to be faced.

As he looked forward to the 1990s, your Minister said he wanted to build on the progress already achieved. The broad approach should be to maintain levels of public funding of the arts, while looking to the private sector to be the engine of growth in funding. Another key principle would be to strengthen excellence in the arts and access to that excellence; this pointed to diverting some existing funding away from less meritorious areas towards the centres of excellence.

The Prime Minister welcomed your Minister's comments. But she noted it was unfortunate that neither private business nor the Government had received the credit due for what had been achieved over recent years. On specific points, she saw attraction in the possibility of creating a UK orchestra of truly international standard; and asked whether consideration could be given to improving the present uninspiring entrance to the National Portrait Gallery by linking the building to the National Gallery and having an imposing joint entrance to the two. Your Minister said he would look into the latter point.

Looking further ahead, your Minister said he was considering what part the arts could play in the run-up to a celebration of

D

the Millennium. He understood that Peter Palumbo had also been thinking in these terms, and would have ideas to put to the Prime Minister when he saw her later in the month. Your Minister mentioned three possibilities.

(i) Announcing a public target for the Millennium for restoring the basic fabric of the main national arts buildings. This would relate mainly to the museums and galleries. Peter Palumbo had in mind extending the same concept to other categories of buildings such as cathedrals, but your Minister doubted whether this would be appropriate. The Prime Minister recognised this last point, but said she saw the need to do something to improve the position of our great cathedrals, possibly by giving them access to some of the options currently open to churches. As regards the museums and galleries the Prime Minister said she thought their had already been reasonable progress in many cases; your Minister agreed but said there were still major problems remaining, for example at the Victoria and Albert.

(ii) Greater encouragement of endowment funding. Your Minister wanted to develop a much improved incentive funding policy over the next decade. This would not require a large injection of public funding, though some pump priming was an essential element. He felt that the US tax system, which involved relief for one-off donations, was much better than the present UK approach, and he was having discussions with the Chancellor about this. The Prime Minister commented that it was important not to underestimate the scale of demands for support to different areas of the arts currently being placed on private industry.

(iii) Some kind of national celebration of the Millennium. The Prime Minister commented that it was likely that a number of countries would be considering major events for the turn of the century, but she would want to consider a major event for the year 2001 - which could, for example, be viewed as the 150th anniversary of the 1851 Great Exhibition.

Your Minister asked whether the Prime Minister would like him to put forward some specific proposals for targets for the Millennium along these lines. The Prime Minister said she would prefer that he took no specific further action at this stage. She had taken careful note of his ideas and would want to reflect on them. But an important preliminary before any firm decisions would be to settle this year's Public Expenditure Survey discussions, which were likely to be prove extremely difficult.

PAUL GRAY

Martin Le Jeune, Esq.,
Office of the Minister for the Arts.

PRIME MINISTER

BILATERAL WITH RICHARD LUCE: 13 SEPTEMBER

You are seeing Richard Luce tomorrow for one of your periodic bilaterals.

He has sent in no papers, but I have discussed with his office the issues he wants to cover.

My reading is that his reasons for wanting to talk to you now are:

- Although he may not refer to this directly, he would doubtless welcome your support in the annual expenditure negotiations with the Treasury, in which the OAL will be seeking to re-open the earlier three year settlement. He is asking for nearly £50 million a year extra.

- He will be aware that Peter Palumbo is coming to see you in a fortnight, mainly to discuss his ideas on the Millennium, and Mr. Luce no doubt wants to get in first. (You agreed to the Palumbo meeting following his correspondence with Charles - see the papers at Flag A).

Mr. Luce's office say he will want to cover the following points:

- His vision for the future of the arts, drawing on the results and implications of the last ten years, and focussing on the contribution the arts can make to improved quality of life.

- The progress made in the arts world in adopting a more business-like approach, and the scope further to encourage this.

- The contribution the arts can make to celebrations for the Millennium. He is toying with a few initiatives like:

  - putting right the fabric of the major national arts buildings (a similar notion to that in the Peter Palumbo note at Flag A).

  - encouraging incentive funding along the lines practised in the United States.

  - a possible Festival of Britain.

I suggest your aims for the meeting should be:

(i) To avoid getting drawn, certainly at this stage, into arguments about this year's Survey.

(ii) Mainly to listen to his ideas about the Millennium, but avoid any firm reactions at this stage. You will be seeing Sir Robin Butler again on Thursday morning to discuss all this, when you will want to take stock of the outcome of your bilaterals with various colleagues.

One particular point to bear in mind on the Millennium is that the OAL were not represented on the informal group of Permanent Secretaries chaired by Sir Robin during the summer. So you will want to avoid referring specifically to that exercise, although you can of course indicate that you are discussing all these matters with Robin.

PLG.

P.S. You may also like to glance at the booklet at Flag B.

PAUL GRAY

12 September 1989

KAYBAN

FILE

MR. GUISE

cc: Mr. Turnbull

PRIME MINISTER'S MEETING WITH THE MINISTER FOR THE ARTS: 13 SEPTEMBER

As you may know the Prime Minister is seeing the Minister for the Arts next Wednesday for one of the bilaterals that they have from time to time. I have spoken to the Minister's Private Secretary, Martin Le Jeune, who tells me that the Minister does not intend to send over in advance a letter about the points he would like to cover. However, I gather that he is likely to want to raise the following:

- the increasing self-reliance of the Arts as a result of the Arts policy over the last four years;

- ideas for the future. Mr. Luce wants to set out his thinking for an imaginative Arts policy which would leave behind a memorial for this Government's work - such as endowment funds for looking after the fabric of arts buildings, and ways of strengthening centres of excellence;

- Mr. Luce hopes it might be possible to begin planning now for ways of marking the millenium in the Arts.

I wondered whether you might like to put any advice to the Prime Minister for this meeting. If so, I would be grateful if you could send Paul Gray (who in my absence on leave will be attending this meeting) a note for Tuesday's box. Martin Le Jeune may ring me with a little more detail tomorrow. If so, I will let you know.

CAROLINE SLOCOCK
7 SEPTEMBER 1989
MRMAOF

SECRET AND PERSONAL

file SLW

SUBJECT cc MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

4 September 1989

Dear Roger,

PRIME MINISTER'S MEETING WITH MR. PATTEN

Your Secretary of State came to see the Prime Minister this morning. Discussion was mainly focussed on the issues raised in his minute dated 18 August.

I should be grateful if you would ensure that this letter is given a strictly limited circulation.

Community Charge

Your Secretary of State said that he felt the Government still faced major difficulties with a wide range of its own supporters over the introduction of the community charge, in particular in relation to the safety net. He had concluded that very little could or should be done about the possibility of a safety net for individuals. But he wished to consider whether some further changes should be made to the present safety net proposals at the local authority level. He felt it was essential to get the community charge package right in the year of its introduction in England and Wales rather than deferring any possible changes until 1991-92. As indicated in his minute he therefore proposed to put a paper to the Prime Minister on this subject at the end of this week, following discussions he would be having with Treasury Ministers.

The Prime Minister agreed on the importance of getting the community charge package right at the time of its introduction in 1990-91; and decisions on whether or not any amendments were appropriate should be taken before the start of the forthcoming Parliamentary session. Proposals for extra public spending would clearly be difficult, particularly in the

SECRET AND PERSONAL

context of a tough public spending round. It would therefore be for consideration whether, if your Secretary of State proposed amendments to the safety net, some of the funding might be found by a transfer from the basic local authority settlement; this would however involve higher community charges. The general problem to be faced with any package involving more expenditure was to avoid this encouraging local authorities simply to spend more; your Secretary of State agreed that it was crucial to avoid spending more public money for no effect.

Continuing, the Prime Minister said she hoped your Secretary of State would bring forward proposals for community charge capping as part of any revised package. This could play an important part in discouraging local authorities from adding to their spending plans. Your Secretary of State agreed to consider this, but commented that for administrative reasons it would be difficult to have capping for more than say 15-20 authorities.

It was agreed that your Secretary of State would prepare a paper by the end of this week, which would then be discussed in a small group under the Prime Minister's chairmanship.

Litter

The Prime Minister said it was essential to ensure effective action to counter the litter problem. Your Secretary of State agreed, but felt that the ideas already proposed would ensure good progress. The Prime Minister said that the idea of community corps to clear up litter had been put to her; she saw difficulties with any compulsory scheme of this sort, but thought there might be scope for purely voluntary activity on these lines. The key element in any package, however, was to ensure that sufficient duties and sanctions were imposed on the relevant bodies and commercial organisations to require that litter was cleared up. Market mechanisms would then come into play to ensure that the work of litter clearance was done; your Secretary of State agreed.

Pollution

The Prime Minister expressed concern about the hysteria generated by some pressure groups last month about the import of toxic chemicals for specialist treatment. She felt it was essential that such products must go to specialist companies who had the necessary scientific expertise to carry out the treatment; to oppose all shipments of such products was effectively to connive at their being dumped, with serious environmental implications. Your Secretary of State felt that presentational progress had been made during the controversy over PCBs last month, but that another important point to get over was the possibility of the UK helping other OECD countries to establish the necessary high quality treatment plants themselves. The Prime Minister agreed this was one possibility, but thought that there were likely to be different specialities in different countries so that there would be some degree of trans-shipment trade. An important feature of such

arrangements was to ensure that the products, once treated, were returned to the country of origin.

The Prime Minister also commented that, in various visits during the last week she had formed the impression that the NERC might not be getting a fair deal in the allocation of Research Councils funding.

Environment

The Prime Minister and your Secretary of State agreed on the political importance of focussing on the need to ensure handing on a good environment to future generations. Your Secretary of State commented that the need now was to generate a similar cultural change on environmental issues to the change brought about by the Government during the 1980s on economic management; there was a close analogy to be drawn here, with similar emphasis being placed on the importance of market forces.

Continuing, your Secretary of State said he wanted the Government to set out an overview on environmental policy. As indicated in his minute he therefore planned to produce a major White Paper on the Environment in about a year's time. A secondary advantage of this would also be to help with the handling of next session's Bill. The Prime Minister said she thought this was an excellent idea ; a White Paper would need to have a strong scientific base and be eminently readable. She also suggested that, in conjunction with the White Paper, the various current environmental booklets should be up-dated.

Your Secretary of State also mentioned his idea of announcing a "green audit" of his department. The Prime Minister wondered what this would involve, and your Secretary of State mentioned covering issues such as energy efficiency and recycling. He also indicated that he wished to include more provisions on recycling in next session's Bill.

Planning

It was noted that your Secretary of State would be dealing with the Foxley Wood issue in the normal way. On the more general issue of planning policy your Secretary of State said he felt presentational aspects were important and it would be important to send out slightly different signals from Government. One misconception that had to be corrected was the view that the Government was allowing green land in the south-east to be swallowed up by development. He also felt it was important to ensure that Chief Planning Officers' views on likely housing demand should not go unchallenged and be allowed automatically to determine government policy.

The Prime Minister said this was a difficult area on which to strike the right balance. There undoubtedly would be some demand for additional housing for young people that had to be met, and it was not possible to stop all development. But it was important to get away from the current position where,

presentationally, the Government seemed to get the worst of all worlds.

Water

Your Secretary of State said that he felt the press reception for the water privatisation proposals had improved in recent weeks. His impression was that the financial press had now concluded that the water companies would be a good buy for investors.

The Prime Minister said it was important to continue to get over key messages about water, in particular the fact that improved water quality had to be paid for, and that the UK's relative record within Europe was a good one. She also said that she continued to favour the maximum acceleration possible in the use of water metering.

Homelessness

Your Secretary of State said he thought that homelessness could be a substantial political problem over the coming year. His main concern was to take action to tackle the "cardboard city" problem of people sleeping rough. This issue, which could probably only be tackled by taking some action in relation to the vagrancy laws, had to be distinguished from genuine problems arising from housing pressure.

The Prime Minister said that E(LF) had had several discussions on the homelessness issue, and various aspects had now been settled. She agreed, however, with your Secretary of State's concern about the extent of people sleeping rough, which was for the most part unnecessary; for some people this activity seemed to have become a form of inverted snobbery. She continued to believe that the provision of hostels by church and other voluntary agencies had a key role to play in easing homelessness problems; such organisations, unlike public bodies who were seen to represent "authority", were well placed to help people not only in providing a place to sleep but also to assist with other adjustment problems. She did not believe that large scale extra housing building in the south-east was the answer; this would simply act as a magnet for people to come to London. Rather the approach might be increasingly to point out to people the availability of surplus housing in other areas.

Yours,
Paul

(PAUL GRAY)

Roger Bright, Esq.,
Department of the Environment.

PRIME MINISTER

You have a bilateral with Chris Patten on Monday morning on a range of environment issues. In your folder is his letter to you (Flag A), the recent correspondence on Foxley Wood (Flag B) to which Chris Patten refers, and the Pearce Report summary (Flag C) which you have already seen.

DM

1 September, 1989.

JD59

CS – to see.

FILE

10 DOWNING STREET

Prime Minister

An interesting note from Chris Patten which you might like to key through ahead of your meeting on 4 September.

Points on planning & National Parks might provide the planks for the Environment section of your Conference speech.

CF

This never before you.

24/8

PERSONAL AND CONFIDENTIAL

NIT CF

A A

PRIME MINISTER

Thank you very much for your letter of 7 August, covering the letter from the Duke of Wellington, in which you mentioned some of the matters on which I am brooding this recess. I am looking forward to talking to you about them on 4 September.

In my first few weeks at this Department, I have learned already that it covers sufficient ground to maximise the opportunities for trouble. Obviously, it must be one of our priorities to pre-empt difficulties where possible and to avoid unnecessary arguments so that we can concentrate on priority tasks. You have given me a good team.

There are four issues which have dominated my agenda so far: the community charge, planning, environmental politics and water.

The community charge, when it is firmly bedded down, will be a much better system of funding local services and should restore real democratic control to local government. Present levels of public interest in local government - shown in voting turn-out figures - are appalling: hence, of course, incompetent and extremist local politicians. But this begs one important question, how do we "bed the charge down?" Like any other new form of tax, there are transitional problems of gainers and losers, with the additional problem inherent in the charge that many will be paying for local services for the first time, and that ending the preposterous relationship between a local tax and notional historic rental value creates substantial individual gainer and loser differences in adjoining streets. It is impossible to avoid every problem with a change as substantial as we propose. The trick is to smooth the transition without either destroying the rationale for the change or saddling ourselves with a colossal long-term bill.

I am not sure that the Scottish experience is as relevant as our colleagues there may suggest. After all (it was ever thus!) Scottish charge payers only meet about two thirds of the proportion of local government costs that will be met by English charge payers. There are hardly any Conservative councils in Scotland. Nor will the background to the charge introduction be quite what we would have hoped, with interest rates and hence mortgage repayments high and not much chance, I would have judged, for income tax cuts next year. In addition, the newness of the charge may mean that it - rather than Labour over-spending - will be blamed for every high bill.

The Parliamentary party is obviously working itself into a lather about the charge; I saw the executive of the 1922 just before the House rose. So far, they are concentrating on our safety net proposals. My hunch is that the nearer we get to the introduction of the charge, the more individual problems - that is, the requirement as some would argue for personal safety netting - will dominate their thinking.

Against this background, I have put in hand a paper which will be available for you at the end of the first week in September. It attempts a realistic survey of the problems of introducing the charge with a menu of costed options for dealing with the various difficulties, and the rough effect which these options would have. It seems to me that what you and other colleagues need to have is a clear idea of what political effect we can purchase for what price. I will try not to come to you like Oliver Twist. If we take the view that we should just put our heads down and charge, so be it. My worry about that is that it may not be a sustainable position in the House or the country. The political problems do appear formidable. If we are going to move - arguing that we are providing the same sort of interim relief that accompanied domestic revaluations in 1963 and 1973 - then we should do so on our own grounds and terms, not being pushed but seizing the initiative ourselves, certainly before the Party Conference.

I see every prospect of us breaking the back of the Labour revival this autumn and winter, with the sort of consequences admirably set out in the attached article which you may have seen from the "Sunday Times" by David Selbourne. Inflation and interest rates will do much to determine the speed and extent of our recovery, so too will the community charge with important local government elections next spring and with its continuing effect on the enthusiasm and morale of our forces at Westminster and in the country.

Second, on planning, we find ourselves dealing with a good deal more than an outbreak of Major Bloodknock nimbyism. It is, of course, surprising that having doubled the amount of green belt since we came into office, and with the majority of development taking place in urbanised areas, there should still be so strong a feeling that we are careless about peoples' concerns on the rural environment. The recent Gallup Poll (a copy of the Daily Telegraph article is enclosed) was worrying on this. This is a political issue of substantial salience, especially for our supporters. We don't want to create a class of voters whom one could more or less describe as "Tories against the Government".

My hunch is that some of the answer is presentational. One or two of my early planning decisions will be of major importance in terms of the ripple effect. I will naturally keep you well informed of my inclinations. I also see the case for one or two bits of symbolism. It is 32 years since we established a new National Park. A commitment at the Party Conference to designate one or two more would have a good effect (without of course specifying areas, though both the New Forest and the South Downs come to mind). But policy matters too. Instinctively, I recoil from the argument that because, for example, a group of chief planning officers from the county councils decide that there is a need for a given number of houses in their area, the aggregate figure for all of them represents an implacable housing demand which the community and the land use planning system have to swallow. That feels very much to me like top-down Socialist planning. A community surely has a right to

Both in the South.

determine its own nature - a point which would join both Burke and Von Hayek. After that the consequences are for the market to determine, and the market will lead to houses being built elsewhere - and to a proper regional spread with greater pressure for sensible market measures like relocation (not least of the public sector) and regional pay differentiation. There is much more I could offer about this, albeit from all too little time in this job. But I have to say, that my initial feeling is that this is an issue on which our supporters' gut instincts are right. None of this is an argument against any new housing in the South or South East; there is, however, a powerful case for establishing the balance between new housing and conserving the countryside in a more politically acceptable way.

Third, on environmental policy as a whole, I think we have as near to a blank sheet as one gets in politics, despite the ambitions of the Commission to cover it in their own Esperanto. There are one or two presentational things that I could do in the autumn, like announce a "Green Audit" of this Department. But I would like to propose something more sweeping. It seems to me that there is a powerful argument for us aiming to produce a White Paper on the Environment - domestic and international - about this time next year. We would set out our strategic overview on environmental issues and establish the argument on our own terms. Above all, I think we can fight on our own philosophical terrain, namely the encouragement of market forces and the price mechanism for achieving the environmental goals we all seek. Good environmental practice must not be seen as all about regulation. Your governments have re-established the case for financial prudence and market forces in the 1980s. Without letting go any of the gains of the last decade, we could make the achievement of environmental prudence through the use of market forces one of our themes for the next decade. We could naturally look to a White Paper as the quarry for a manifesto at some time during the following year (or longer!). If you agree, I would like to announce our commitment to a White Paper at the Conference, and we could also - since we have nothing to hide -

commit ourselves to an annual environment quality statement. We produce the figures anyway, but either indigestibly or else as part of unnecessarily defensive wrangles. We are not the dirty man of Europe and we can show it.

Fourth, you know the up-stream job we have got on water, largely I think because of an illogical but instinctive public feeling that water shouldn't have anything to do with ownership. The K-factor announcement seemed to me to go pretty positively in the circumstances - Michael Howard handled it exceptionally well. Proposals for the flotation now look better, subject to market circumstances.

I am sorry to write at such length. I look forward to talking about these and other issues with you on 4 September. I hope, incidentally, that I won't now have been excluded from making the odd contribution to your Party Conference speech.

As you said in your letter, it is an immense privilege to be able to work on all these issues. I cannot adequately express my gratitude to you for allowing me this privilege.

C P

18 August 1989

8

NOTE FOR THE RECORD

PRIME MINISTER'S BILATERAL WITH MR. PARKINSON: 8 AUGUST

The Secretary of State for Transport came to see the Prime Minister for a bilateral discussion on 8 August. No Private Secretary was present, but I have obtained a debrief from Mr. Parkinson's office of the main items discussed. These were:

(i) The handling of meetings with representatives of the Lockerbie Families Association. It was agreed that the Prime Minister would not meet representatives, but that this would be handled by Department of Transport Ministers.

(ii) Scottish lowlands airports policy. Mr. Parkinson apparently indicated his intention to re-open this issue, and he has subsequently done so via his letter of 10 August to the Secretary of State for Scotland.

(iii) Department of Transport PES bids. Mr. Parkinson apparently pressed the case for a substantial addition to the Department of Transport expenditure programmes, but the Prime Minister seems to have given no commitments.

(iv) British Rail management. Mr. Parkinson reported on his plans for future BR senior management changes. The position was updated in Roy Griffins' letter to Caroline Slocock of 10 August.

PAUL G.

(PAUL GRAY)

11 August 1989

CONFIDENTIAL

PRIME MINISTER

MEETING WITH CECIL PARKINSON, 15.00 - 15.30

I have very little information on what Mr Parkinson would like to discuss: I understand simply that he would like to talk about his "first impressions" of his new Department and current issues.

Would you like me to be present to take a note?

CBS

Caroline Slocock
8 August 1989

No - I will let you know if any action is [illegible] from the meeting

Amanda –

I've fixed up 9.30-10.30 on 4 Sept. Chris Patten will be at the IPU Conference with the PM invited already after and they might go over together

10/8

PRIME MINISTER

MEETING WITH CHRIS PATTEN

You asked to see Mr Chris Patten before you go on holiday.

I am afraid he is in the USA at the moment and although he will be back between 14 - 18 August he will then be away again until 4 September.

Do you want me to fix up a time for you to see him then?

Caroline Slocock
7 August 1989

8

MR GRAY

3 August 1989

Ian Whitehead would be most grateful if you could possibly include him in the Prime Minister's bilateral with Kenneth Clarke on 5 September.

SUE FARLEY

CF

PL BMF 4/9/89

PPCG 4/9

CONFIDENTIAL AND PERSONAL

MEETING RECORD

Subject cc master

FILE KKIAUM.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 August 1989

Dear Stephen,

THE PRIME MINISTER'S MEETING WITH YOUR SECRETARY OF STATE

The Prime Minister had a meeting this afternoon with your Secretary of State and the Minister of State. The discussion was wide ranging, but it may be helpful if I record the main action points agreed.

National Curriculum

Your Secretary of State said that he was considering further the terms of his response to the interim report from the History Working Group. He agreed with the Prime Minister on the importance of emphasising chronology and the weight given to English History within the programmes of study. He would let the Prime Minister see a revised draft of his letter to Commander Saunders-Watson in the next few days prior to a meeting he was planning with him.

It was noted that the Minister of State had now interviewed possible members of the Modern Foreign Languages Working Group. A number of names were discussed. It was agreed that, given the desirability of an early announcement, the Minister of State should now start to assemble the members of the Working Group. It would, however, be helpful if you could let me have a revised version of the proposed full list of members which I can show to the Prime Minister as soon as possible.

Teacher Supply

It was noted that the problems of teacher shortage were concentrated in localised areas and particular subjects. A number of possibilities for seeking to ameliorate the difficulties were discussed. These included:

- building on the new schemes for licensed and articled teachers.

- encouraging teachers to stay on in the profession after reaching the age of 60. The Prime Minister suggested that your Secretary of State should consult the Cabinet Secretary on the possibility of a publicly funded

advertising campaign to encourage such teachers to stay in the profession. It was also noted that issues such as the impact on individuals' pension entitlement would need to be considered.

- schemes for the payment of various types of travelling and housing allowances to teachers in the stress areas. A related possibility would be to explore whether use could be made for teachers in areas of high housing costs of surplus police housing.

Student Unions

It was noted that your Secretary of State was now considering the position in the light of his predecessor's proposals, and would be circulating a note in advance of the proposed E(EP) discussion in September.

Yours,
Paul

(PAUL GRAY)

Stephen Crowne, Esq.,
Department of Education and Science.

PRIME MINISTER

BILATERAL WITH JOHN MACGREGOR: 1 AUGUST

We have now arranged for John MacGregor to come in at 1700 tomorrow.

I suggest you use this as an opportunity to talk through the main aspects of your concerns on education policy, but without getting into too much detail.

Points to cover might include:

(i) Teachers

- Pay
- Shortages
- Training and new sources of teachers

(ii) National curriculum and testing

- Need for simplicity on testing
- Are the curriculum arrangements getting too complex?

(iii) Grant maintained schools

(iv) Higher education

- Loans
- Increases in fees
- Scale of provision for the 1990s

PAUL GRAY
31 July 1989
KAYAXS

PRIME MINISTER

BILATERAL WITH JOHN MOORE: 4 JULY

Following my earlier minute (immediately below this note) you agreed to have a bilateral meeting with John Moore.

The main general points you may want to get over are:

(i) you recognise the efforts he has been making to take a radical look at key social security issues;

(ii) but action on any of these fronts has to be carefully considered and timed. The three issues he has brought forward over the last six months or so - child benefit, housing benefit and pension age - have all been highly sensitive, and for differing reasons you have judged the time has not been right to pursue them;

(iii) you have particularly welcomed the action he has put in hand to streamline the administration of social security via Agencies, computerisation and lessening exposure to industrial action in key centres.

You will then want to consider what kind of steer to give him on developing ideas for possible radical changes in the next Parliament. Do you want him to be doing preliminary thinking now, or is all action best put on ice for the next year or so?

If time permits you may want to go quickly through a number of specific areas of policy, as follows:

Pensioners and pension age

He is likely to look to you for support in continuing to emphasise the adequacy of the basic pension, with priority

given to targeting additional help on carefully defined groups.

On the pension age issue you may like to explain to him the difficulties you saw with taking action now (earlier papers are enclosed at Flag A for reference). I think he is now unlikely to press you for an early major initiative on the pension age, but he may point to the handling difficulties with Europe, both in relation to new directives and the European Court.

Disability Review

You may want to ask him where things stand on this exercise. The public line hitherto has been that action needs to await the series of OPCS reports; but with only one more of these to go that line will not last much longer. Are you prepared for him to come forward with proposals that envisage the possibility of legislation before the next election? Or do you want this issue, like child benefit and housing benefit, to be on the back-burner for now?

Lone Parents

You saw the papers on this review over the weekend (enclosed at Flag B). We have a separate meeting pencilled in on lone parents for next week. But you will want to consider whether that is necessary; or whether you would prefer just to give him a steer on your priorities, eg. taking radical steps on absent fathers but treading very carefully on child care. One possible approach would be to encourage him to make an early announcement on steps that could be taken in the short term, and then to report back to Ministers next year when the full results of the DSS study are available.

PAUL GRAY

3 July 1989
SLHBHT

JD3AGJ

NOTE FOR THE RECORD

The Prime Minister 'phoned the Lord Chancellor this morning to express the deep concern and sympathy which both she and Mr. Thatcher had felt over the difficult time which the Lord Chancellor had faced in recent weeks leading up to the decision by the Free Presbyterian Church Synod on Thursday. She knew how difficult it was when the decision of one's church was at variance with the inner feelings to which that church had hitherto given strength. The Press were also behind Lord Mackay, and were uniform in saying that his integrity had shone through.

The Lord Chancellor said that he was very grateful for the support he had had, in particular knowing that he could always count on the Prime Minister, and was particularly grateful for the public expression of support which she had given in her Answer in the House earlier in the week. The decision by the Synod came to him as a relief. There had always been some conflict between the rulings of his church and the duties as Lord Chancellor as he interpreted them, but he felt he simply could not walk away from the church. He now felt clear in his conscience. He had not yet decided to take Communion with any other church. The Prime Minister commented that she was relieved the Lord Chancellor felt that way, and that the decision would enable him to have even greater influence with a wider range of groups and in an enlarged Christianity.

The Lord Chancellor renewed his thanks to the Prime Minister for having taken the trouble to 'phone, and said that he would not on this occasion discuss with her business matters, but that he would be coming to her and colleagues shortly after the Recess with further thoughts on his proposals for the reform of the legal profession.

DM

27 May, 1989.

PRIME MINISTER

BILATERAL WITH MR. FOWLER: 24 MAY

Norman Fowler has asked to have ten minutes privately with you before tomorrow's meeting of MISC 139 (your Group monitoring the docks).

I have no precise guide from his office on the points he will raise. But some possibilities are:

(i) he may want to raise with you his concerns about the timetable for the Lords' consideration of the Dock Work Bill - see his letter to the Lord Privy Seal at flag A. I have been urging his office that this is an issue Mr. Fowler should pursue with the business managers.

(ii) the Social Charter. Mr. Fowler may want to touch base with you on this. I assume he is seeking reassurance that you are content with the robustness of the line he has been taking.

(iii) Training and Enterprise Councils. Geoffrey Holland floated with me the possibility of a "tea-time reception" at No.10 in late-June/early July to coincide with the announcement of the establishment of the first 20 TECs. The idea would be a format similar to last year's tea party for the YTS. I told Geoffrey that the diary for the period they are interested in spans the time from the European Council to the Economic Summit, and there is not a single afternoon free in the diary; so you could not fit this in. But I have also told him that, if Mr Fowler wanted a message from you to read out at a function taking place elsewhere, I imagine you would be content to sign one. Hopefully, having had this strong steer, Mr. Fowler will not raise the possibility of a No.10 function with you; but you

should be alert to it.

(iv) Warm, safe and tidy. You should also be aware of the private minute Mr. Fowler has sent you at flag B. I have not shown you this before, as I am still waiting for a Policy Unit assessment. But Mr Fowler may mention it. My own view is that, although there are some attractive features in it e.g. on litter, overall this is a bad idea:

- it effectively reinvents the Community Programme (even though Mr. Fowler says it would not be on "rate for the job" terms). The whole idea of moving over to Employment Training was to get away from this sort of thing.

- I suspect it is an attempt to pre-empt Treasury pressure for savings on the Employment Programme in PES (his minute was not copied to the Treasury). The fact is that DEm are substantially underspending their large programme - because of the fall in unemployment and the fact that ET has been relatively slow in taking off - and they are now casting around for ways to spend money. John Major mentioned to you last week that Employment was one of the few areas where he saw realistic scope for savings, and I imagine you would not want to pre-empt that possibility.

So, if Mr. Fowler raises this, I suggest you say:

- you have not yet had time to study his proposal, and you will give him a considered reaction later in the week;

- at first sight, you have serious doubts about reinventing the Community Programme.

RRCG.

Paul Gray
23 May 1989

Meeting Record.

CONFIDENTIAL

cc MASTER.

NOTE FOR THE RECORD

cc Ms C Sinclair, PU

PRIME MINISTER'S BILATERAL WITH THE MINISTER OF AGRICULTURE: 27 APRIL

The Minister of Agriculture had a 25 minute bilateral talk with the Prime Minister this morning. The main points he made were:

- The CAP reforms were now having a substantial impact, greater than most people recognised. The recent world market position was far from the only reason behind the recent success in restraining Community expenditure. There was also a better climate in the discussions in the Agriculture Council, with the expenditure guidelines having an impact. He was keen to press ahead with further reforms of the intervention system, so that it returned to its original purpose of a safety net, not an unlimited support system for whatever farmers wished to produce.

- There were three main points which needed to be watched in the European agriculture discussions. First, the German prediliction for increased national aids. Second, the pressure for increased support in Mediterranean products. And third, pressure for further assistance for continental small farmers. (On the last point the Prime Minister commented that any such support that had to be conceded should be financed from the structural funds, not the CAP).

- There was now less complaint from UK farmers about the absence of a level playing field as compared with their European competitors. The recent green rate changes in the 1989 price fixing had been helpful in that regard.

CONFIDENTIAL

- On the domestic policy front, he was pleased with the success of the various environmental aids recently introduced, eg. Environmentally Sensitive Areas, grants for farm woodlands and set-aside. In total these measures were costing some £35-40 million, but probably saving some £400 million of CAP support. He thought it would be appropriate to step up the level of this kind of environmental expenditure in the run up to the next general election.

- He was encouraged by the extent to which enterprising farmers had set up and diversified into non-farming activities. This was a very welcome process, which should be encouraged further.

- Despite the various encouraging signs, there was still a problem of low morale amongst UK farmers. Personal initiatives by the Prime Minister could greatly help with this, e.g.material on farming in major speeches and the possibility of her hosting a No. 10 reception for Food and Farming Year.

- The GATT negotiations with the Americans would be very difficult. He had had some useful discussions during his recent visit to the United States. His assessment of Carla Hills was that she was tough but realistic.

At the end of the discussion, Mr. MacGregor asked the Prime Minister whether she was content with the general approach he was adopting to the issues raised. The Prime Minister did not comment in detail on any of the particular points, but indicated that she was broadly content.

RRCC.

PAUL GRAY

27 April 1989

KAYAUQ

FILE

PRIME MINISTER

BILATERAL WITH KENNETH BAKER: 25 APRIL

Following a bilateral you had with Brian Griffiths a couple of weeks ago, you asked me to arrange a talk with Kenneth Baker. That has now been arranged for next week.

You wanted to raise your concerns with him about:

(i) the progress of the Grant Maintained Schools Trust. Brian's earlier note about this is in folder I. I have also included in that folder some press cuttings about Kenneth Baker's latest decisions on opting out proposals, which you may like to see;

(ii) the bias in Government research funding. Brian's earlier note on this issue is in folder II.

I have alerted Mr. Baker's office in general terms to your concerns on these issues, and I hope he will come prepared to discuss them. Nothing has been committed to paper.

There are also three other possible items for the agenda:

(iii) European Commission ambitions in the area of Government policy. You discussed with Brian last week your general worries about Commission expansionism. Brian's further note in folder III alerts you to worries on the education front. You may want to raise this point with Mr. Baker; I warned his office that you might do so;

(iv) Mr. Baker may want to raise with you the position on future organisation of teachers' pay arrangements. For this purpose you may like to read through the note Richard Wilson has prepared,

in folder IV. But I should be grateful if you did not reveal to Mr. Baker that you have been briefed on this subject;

(v) Mr. Baker also wants to raise with you the position on teacher training. You will recall that you sent him a personal minute about this some months ago, asking him to bring forward proposals. He will be sending in a note about this after the weekend, which I will put into the Box on Monday evening.

RACB.

PAUL GRAY

21 April 1989

SL3BIY

SECRET

PRIME MINISTER

BILATERAL WITH THE DEFENCE SECRETARY

You have a bilateral with the Defence Secretary tomorrow morning. The main subject is the new tank. But it is also an opportunity to discuss defence spending (on which a joint MOD/Treasury minute should reach you in the course of the day), the organisation of intelligence in Northern Ireland and the break-in at Faslane.

New Tank

We cancelled the OD planned for tomorrow because MOD are not yet ready with a paper. It is likely to be mid-November before they are. This will put us under some pressure to reach a decision by Christmas.

My information is that the choice has narrowed down to Challenger Mark 2 with a rifled gun or the American Abrams tank. I know that the Defence Secretary saw and tried out the Abrams in the summer and is personally very impressed by it. It is of course already in service and has a number of improvements planned, both to the armour and the gun. But purchase would deprive us of the capability to manufacture tanks in future (although we would get sub-contracting work) and of export sales. It would be a severe blow to Vickers.

You will want to ask the Defence Secretary how the MOD's deliberations are going. You do not think foreign policy considerations should play a serious part in striking the balance. The most important questions are:

- How great is the risk of opting for the Challenger? Do we think Vickers capable of producing the tank to cost and to time?

- Or is there a danger of another Nimrod/Awacs experience (ie. starting down the route of national manufacture, then finding we cannot do it)?

SECRET

- How important is it in defence terms to maintain an independent capability to manufacture tanks?

- Do we <u>really</u> think Vickers have good sales prospects outside the UK?

- Is it true that the American tank is more advanced technically?

- What is the relative balance of cost likely to be? And what assumption will be made about the £/dollar rate?

- What counter-concessions could be obtained from the US if we were to opt for the Abrams tanks?

A great deal will turn in the end on how we assess the <u>risk</u> of committing ourselves to the Vickers project versus the <u>importance</u> of maintaining an independent capability in this field.

<u>Defence Spending</u>

As you know the Defence Secretary has reached agreement with the Chief Secretary to add £1.5 billion to the MOD's programme over three years. This would give real growth in defence spending of over 2 per cent. The question is whether the outcome matches funds to commitments; or whether the MOD will subsequently find that they cannot keep within the programme and end up proposing politically damaging cuts in equipment or commitments.

The Defence Secretary has reached agreement with the Chief Secretary with an eye to the Government's wider objectives, but personally doubts whether <u>some</u> cuts can be avoided by the second and third year. His original bid was for £2.3 billion: I understand he would be confident of getting by at £1.7 billion.

You will want to get a feel for how deep and genuine the Defence Secretary's doubts are. It will be very important to give the right signal internationally on defence spending at a time when some of our partners are already showing signs of abandoning any pretence of adequate defence spending: and subsequent cuts in defence would be very awkward and difficult to reconcile with your public commitment to strong defence. Against this, the Government's long-term ability to fund defence spending depends on getting the economy right now: more than 2 per cent real growth over the period is a good path to be on: and there is still plenty of scope to improve the MOD's financial management.

Intelligence Organisation in Northern Ireland

You may want to tell the Defence Secretary in confidence that you are coming to the conclusion that the Army's ideas for reorganising intelligence in Northern Ireland will not work in their entirety, indeed would dislocate the overall intelligence effort at a crucial time. Moreover, the Army have confirmed your misgivings about their ability to handle intelligence properly.

But it should be possible to go some way to meet them: for instance on strengthening the overall coordination machinery and the briefing of senior commanders, improving the operation of joint cells, and the appointment of a higher-ranking and more powerful Director and Co-ordinator of Intelligence. The key will lie in willingness of all concerned to work together. The departure of Sir Jack Hermon will help.

Intrusion at Fasla

You await the outcome of the Board of Inquiry. But it is a lamentable story of incompetence, which makes it hard to have confidence in the arrangements for the protection of our nuclear weapons. It may be that a wider review of these arrangements will be necessary.

C. D. POWELL
24 October 1988
SL3BEK

PRIME MINISTER

The Lord Advocate has asked to come in and see you for half an hour sometime this week on a personal matter. We have not been able to find out what this is.

Do you wish to see him

- tomorrow afternoon Yes
or
- before E(A) on Wednesday?

Weekly diary is attached. Also tomorrow afternoon (probably at 1600) we are trying to fix a meeting on public expenditure with Mr. Moore and others.

DOMINIC MORRIS
17 October 1988

PA

PRIME MINISTER

MEETING WITH MR. RIDLEY

Mr. Ridley has asked today whether he could have "five minutes" with you tomorrow. I have explained to his office that this is very difficult, and that there may be no available slot. But I have said that if the post-Cabinet E(EP) meeting ends in time, Mr. Ridley may be able to have five minutes between that and the start of your Questions briefing.

Mr. Ridley aparently wants a quick word about the latest state of play on Alice Coleman, the Lyceum, and "one or two other matters".

PG

27 July, 1988.

JD71

file!

PRIME MINISTER

BILATERAL WITH MR. KING: 8 JULY

Tom King has asked for fifteen minutes for a preliminary chat about the issues he will be bringing to next Wednesday's meeting of E(A). We have arranged this for fifteen minutes before tomorrow's NHS Review meeting.

There are four issues:

1. Mackies

You will recall that possible packages of assistance were discussed at an earlier E(A) meeting. A preliminary version of Mr. King's paper for next week is at Flag A. I gather he may want to link this issue to a more general proposal he is now developing for a wider Belfast initiative along the lines of Peter Walker's valleys initiative.

2. Shorts

The position in the Company seems to be a shambles. Tom King has apparently lost all faith, both in the Chairman and the independent account advisers. I gather he may now be thinking about injecting some new management (please do not reveal this: he may not mention this to you). We are not now expecting the E(A) paper on Shorts to come round until early next week.

3. Harland and Wolff

An early version of the E(A) paper is at Flag B. Tom King is basically seeking authority to a (wide) set of parameters for negotiations on privatisation possibilities with Ravi Tikkoo and any other interested parties.

4. Electricity

This is the difficult issue of Northern Ireland's new power station. Tom King's paper for E(A) is at Flag C. Should it be dual oil/coal or lignite-fired: and if the latter, should it be public sector or the more expensive private sector consortium of Hanson, GEC and others?

I gather Tom King lunched today with Lord Hanson. He would basically like to go for the private sector consortium. A Policy Unit note commenting on the problem is at Flag D.

RRC6

Paul Gray

7 July 1988

CCB/VP

CONFIDENTIAL

PRIME MINISTER

BILATERAL WITH MR. RIDLEY: 24 MAY

Mr. Ridley requested a meeting. His office tell me that the two main items he is likely to raise are:

(i) Thyssen - taking stock of where we are.

(ii) Housing. You have a meeting with the smaller ministerial group on Thursday, which will take as its main item the further work on Mr. Walker's flexi-ownership scheme (you saw one paper on this over the weekend). I think Mr. Ridley wants a further informal word on this before he firms up his own views. But my information is that, whereas Mr. Waldegrave is in favour of the Walker scheme, Mr. Ridley continues to have serious doubts - eg. about drawing people away from Right to Buy and drawing into the new scheme people who are not in a position prudently to take on the responsibilities of ownership.

PRCG.

PAUL GRAY

23 May 1988

SL2APK

CONFIDENTIAL

SL2APO

CONFIDENTIAL

PRIME MINISTER

MEETING WITH THE HOME SECRETARY

I suggest the following items for your meeting with the Home Secretary tomorrow:

(i) Football hooliganism, drink, juries and bad behaviour by young people generally!

(ii) The Prison Officers Association (on which the Home Secretary minuted you on 29 April).

(iii) Police pay and manpower: the Home Secretary wants to bring you up to date.

(iv) Brent and Section 11 grants. There is a Home Secretary note at Flag B.

(v) Broadcasting topics: the Home Secretary may want to give his assessment of the reception of the announcement of the Broadcasting Standards Council and to seek your views on the future of the IBA.

(vi) Toronto Summit and drugs: you had a brief word with the Home Secretary this afternoon about this, so there is probably not much to say at this stage.

The Home Secretary may mention his Weekend World interview. Mr. Hattersley has been trying to drive a wedge between what he said then and what you said at the General Assembly on the lines that he is trying to disassociate himself from what you said. But a reading of the interview does not support that view. Indeed, as some commentators have said today, Mr. Hurd's interview compliments your speech.

N.L.W.

NIGEL WICKS
23 May 1988

CONFIDENTIAL

DA1AGL

PRIME MINISTER

cc Mr. Hamilton

MEETING WITH THE CHIEF WHIP

The Chief Whip has asked to see you for a general discussion about the state of the Parliamentary Party.

I do not think the Chief will come with any message of difficulty or problem. But he has been turning his mind to possibilities for nipping in the bud, before they arise, future backbench rebellions. I expect the Chief to say that there are incorrigible rebels on the backbenches who, given the occasion, will always vote against the Government. But there are other members who, while given to bouts of difficulty, might be prevailed upon to vote for the Government in difficult divisions. The Chief may air with you some tactics for achieving this aim.

The Chief can, of course, use all the normal battery of arguments and appeals to loyalty in trying to persuade errant backbenchers to vote in the Government lobbies. But nowadays his powers of patronage are limited among backbenchers, many of whom already have knighthoods, or who, as former Ministers, have no expectation of office, or who, as long serving backbenchers, may feel that they have been irretrievably passed over for Ministerial office.

I do not know whether he will want to discuss further carrots to persuade backbenchers to vote for the Government, but some possibilities are:

- extending occasional Privy Counsellorships to long serving backbenchers pour encourager les autres;

- bringing into the Government some of the older Members who may have felt that they have been passed over.

N.L.W.

(N.L. WICKS)

6 May 1988

PRIME MINISTER

The Chief Whip would like to see you fairly soon to discuss strategy and tactics for dealing with the core of backbenchers who consistently oppose Government policy. The Chief's fear is, I think, that they might once again come together on a controversial vote, like the Mates' clause, and cause the Government some bother. The Chief believes that some of the MPs concerned are beyond redemption, but others might be wooed into a more co-operative approach. He would like to discuss this with you.

N.L.W.

N.L. Wicks

28 April 1988

MJ2CHP

CONFIDENTIAL

ce BKP

PRIME MINISTER

MEETING WITH PETER WALKER: 25 APRIL

Peter Walker wants to talk to you about an idea he has on housing policy. His officials have already been in touch with Peter Stredder about this, and Peter has prepared the very helpful attached summary. I imagine you will want to let Mr. Walker describe his idea and not reveal that you have much prior knowledge of it. But Peter's note gives you some material for use in discussion.

The procedural issue at the end of the meeting will be to decide whether the proposal should be brought to an early meeting of E(A).

PRCB.

PAUL GRAY
22 April 1988

CONFIDENTIAL

ECL/29

CONFIDENTIAL

cc BLp

PRIME MINISTER

21 April 1988

MEETING WITH PETER WALKER

Peter Walker is coming in to see you on Monday. I think he wants to talk to you about a new version of the 'Right to Buy'. There are no papers, he wants to gain your support before taking work further. The scheme is designed to enable tenants on housing benefit to become 'owners' without treating them more generously than those who have exercised the conventional right to buy. We think that his ideas are interesting and could give the poorest members of society a stake in it with some real responsibility whilst ending dependency on housing benefit and the problems associated with it. But there are also some weaknesses, although none that could not be solved.

possibly by bringing a paper to E(A). PRCG.

The Scheme

The main features of Peter Walker's scheme are as follows:

- For a nominal sum, say £1, a tenant would be able to purchase the freehold in his house.

- The tenant would actually own outright a share in the house based on but slightly lower than the discount given to RTB purchasers - say 25% plus 1% for each year's tenancy. The Housing Corporation would take a charge over the remainder of the equity in the house.

- The new owner would be responsible for maintenance but would not pay rent. He would therefore no longer require housing benefit.

- The savings in housing benefit would be used to meet local authorities' continuing loan charges. But management and maintenance costs would no longer have to be met.

CONFIDENTIAL

- The Housing Corporation's charge would be uprated each year in line with average house prices in the area. So if the value of the house rose faster than the average the tenant's share would increase. If it rose more slowly, the reverse would be the case. In this way the tenant would benefit in full from any equity gain that arose from his own efforts to improve his house and equally would lose in full from the detrimental effect of a failure to maintain.

- Tenants would be able to purchase additional equity tranches of half a percent using the same basis of valuation. The scheme would be administered through building societies who would operate special accounts that enabled people to save at current building society rates to purchase additional tranches of equity.

- This method of purchase would usually be less attractive than buying the balance of the equity on a conventional mortgage because the new owner could only benefit from the equity gain on his portion of the equity. With a conventional mortgage the owner gets the whole of the equity gain. In general, conventional purchase makes better sense financially so long as the mortgage rate (net of tax relief) is less than the rate of increase in the value of the house.

- The new owner would always have the option of buying out the Housing Corporation's charge with a conventional mortgage and so would usually have an incentive to do so. Effectively this would convert him into a conventional right to buy purchaser.

- When someone wished to move they could sell the freehold outright, using part of the proceeds to redeem the Housing Corporation's charge. Owners could not use this as a device for getting back into the public rented sector and squandering the proceeds because in these circumstances they would be intentionally homeless. Alternatively, tenants would be able to exchange houses with other tenants in the scheme, talking their equity share with them, valued at then current house prices. The Housing Corporation's total equity stake in the two houses concerned would remain unchanged.

Advantages and Disadvantages

The attractions of this scheme are obvious. The potential weaknesses in the scheme, and our comments on them are as follows:

It is unfair to people who have bought under conventional right to buy.

Tenants purchasing under right to buy will receive slightly larger discounts than those purchasing under this scheme. But they will have to purchase the portion of the equity that under this scheme tenants will be allowed to enjoy without charge. Thus tenants purchasing under the scheme will not be any better off in asset terms than those purchasing under conventional right to buy but they will be able to occupy the property free of charge. However this is no more than the advantage they enjoy as tenants on full housing benefit.

Wrong to give people assets they haven't had to work for.

The discount given to tenants purchasing under conventional RTB involves a transfer of ownership in recognition of past tenancy, whether or not the rent was paid from the purchaser's own resources. Many potential participants in the new scheme who happen now to be on housing benefit will have paid rent from their own resources at some time in the past. If it is considered important to keep a link between paying from one's own resources and acquiring assets, it would be possible to restrict the scheme to tenants who have paid, at least, some rent from their own resources. The disadvantage of this approach is that it might exclude some tenants for whom the incentive to work effects of remaining on benefit are most adverse - for example middle-aged married men with children.

New owners won't maintain houses properly

Peter Walker's scheme presumes that participants would be eligible for the new means tested home improvement grants along with other owner occupiers. There would also be provision to enable owners to sell part of their equity back to the Housing Corporation to finance major repairs, subject to a minimum equity stake of 25%. The main costs that would have to be borne from an individual's own resources are regular decoration and running repairs. Housing Associations on average spend £280 a year on these including labour costs. DIY might cut this to £100 a year - say £2 a week. But there is clearly a danger that poor owners will neglect maintenance in favour of more pressing priorities, despite the effect on their equity stake. One possible way of avoiding this is to set up some kind of compulsory savings scheme on which owners could draw if they gave proof that they had incurred maintenance expenditure.

Reduced take-up and receipts from conventional right to buy.

This scheme is attractive if targeted on those people on full or partial housing benefit who are too poor to exercise conventional RTB. But it may also attract those who might otherwise exercise conventional RTB, for example unemployed people who subsequently get a job. The scheme will allow people to buy the remainder of the equity on no less favourable terms than right to buy. But there may still be some who could exercise conventional right to buy but prefer the lower costs of this scheme.

We think this is the biggest weakness of the scheme as it stands at present but that it could probably be removed. One possibility is to make it a condition of the scheme that owners in work whose net incomes are above a given level should be required to contribute towards the purchase of the remaining equity in the house. Thresholds could be set so as to avoid creating as severe an incentive to work problem as does housing benefit.

Effect on Mobility

It might be thought that this scheme would have an adverse effect on mobility since tenants who have purchased their houses under it will not be able to move out simply at a week's notice, as can tenants. But the main reason council tenants still find moving difficult unless they are becoming owner occupiers is because they cannot find another house to rent. Peter Walker's scheme would make these owners as mobile as ordinary owner occupiers and would in addition allow exchanges between tenants. Part of the proceeds from a sale would go to the Housing Corporation to redeem its charge but the balance will be available as a deposit on a conventional owner-occupied house.

Lack of housing for new households.

This scheme could diminish the number of houses available for young people and other new tenants. But the Housing Corporation will have an increasing pool of receipts from their share in the proceeds when owners move. These receipts can be used to fund grants to Housing Associations and other landlords to provide a continuing stock of low cost rented housing.

Consistency with current housing policy.

If we were to adopt a variant of Peter Walker's scheme it will significantly alter the balance of the policy contained in the current Housing Bill. Hitherto, the assumption has been that we need to maintain a significant stock of rented housing for those people too poor to afford owner occupation. Our policies have concentrated on diversifying the ownership of rented housing. But a major weakness has always been the extent to which under this new regime tenants will be dependent on housing benefit. Indeed market rents are so high that the proportion of tenants on housing benefit and the amounts spent are likely to increase substantially.

Peter Walker's scheme would widen still further the choices available to the poorest tenants. It would provide a complement rather than an alternative to these other new policies but one that avoided their major weakness. But we shall need to face the question of whether the scheme should apply to tenants other than local authority tenants - particularly those who have transferred to other landlords either through voluntary transfers or "tenants choice". We shall also need to consider very carefully the potential public expenditure implications.

Conclusion

We recommend that you welcome Peter Walker's proposals as having a number of attractive features but point out that there are also weaknesses that first need to be dealt with.

Peter Stredder

PETER STREDDER

cc BUp

PRIME MINISTER

Meeting with the Secretary of State of the Environment: 20 April

Nicholas Ridley asked a couple of weeks ago to have one of his periodic bilateral chats with you. The original timing was overtaken by the various discussions on Mates. But he has made clear he would still welcome a talk.

His office are unable to tell me what particular points he plans to raise. I imagine you will want to have a general run through with him of the state of play on the many balls he currently has in the air, e.g. Housing Bill, Local Government Bill, reconsideration of Local Authority Capital Controls.

pp **PAUL GRAY**

19 April 1988

Thank you
Could you ask
the best weekly
NLW

Mrs Gaitskell,
PC arrange.
BF

N.L.W
18.5

PRIME MINISTER
18.4

Mr Walker would like "twenty minutes" with you to discuss a housing scheme, which could apply throughout the United Kingdom and not just in Wales. We have no details of his thinking, but understand that his objective might be to abolish housing benefit and to encourage owner-occupancy still further.

Agree to see him?

N.L.W

Yes

N. L. WICKS
15 April 1988

1730 on Monday
25th April.

TG. 18/4

File KK

PG. 2.

APPOINTMENTS IN CONFIDENCE

PRIME MINISTER

Meeting with Secretary of State for Education: 20 April

Kenneth Baker is coming to see you to discuss appointments to the various national curriculum bodies. You saw over the weekend his note to you of 15 April. I also now enclose Brian Griffiths note on possible names.

PAUL GRAY

19 April 1988

APPOINTMENTS IN CONFIDENCE

CCB/KP

8

SECRET

PRIME MINISTER

MEETING WITH MR. PARKINSON: 3 FEBRUARY

Mr. Parkinson is coming in tomorrow afternoon to report on his discussions with Walter Marshall in advance of your meeting with him on Thursday.

At Flag A below is the briefing for the meeting that you saw over the weekend.

You may also want to have a word with Mr. Parkinson about the state of play on the NACODS dispute. At Flag B is a note he has prepared for you, together with a parallel note I put together. The key point to get over will be the need for BC management to adopt a vigorous approach to facilitate the NACODS work being taken over either by BACM or the UDM.

RRCG.

PAUL GRAY

2 February 1988

SLHASR

SECRET

SECRET AND PERSONAL

mtg record: SUBJECT cc master

file CCPC

10 DOWNING STREET

LONDON SW1A 2AA

28 January, 1988.

From the Private Secretary

Dear David.

PRIME MINISTER'S MEETING WITH THE NORTHERN IRELAND SECRETARY

The Prime Minister and the Northern Ireland Secretary had a talk yesterday evening in which they covered:

- Stalker/Sampson. The Northern Ireland Secretary said that he would be taking questions in the House on 28 January. He would make clear that he would be looking into the management and organisation of the RUC in the light of the Stalker/Sampson report, and that disciplinary proceedings would be considered. There would be a further statement as soon as this consideration had been completed. The Northern Ireland Secretary said that the Irish Government had reacted strongly to the Attorney-General's statement, but there were also signs that they wished to avoid damage to the Anglo-Irish Agreement. There would be a meeting of the Anglo-Irish Intergovernmental Conference early next week. It was noted that the Taoiseach had not so far sought a meeting with the Prime Minister in the margins of the Brussels European Council, but it could not be excluded that he would do so.

- Sinn Fein/SDLP contacts. The Northern Ireland Secretary gave the Prime Minister an account of the background to these contacts. It was quite clear that the Government should not be involved in any way. But there was some evidence of disillusion within Sinn Fein with the policy of violence. The Prime Minister was very sceptical of Sinn Fein's motives in seeking contacts, and thought it unwise of the SDLP to have agreed to a meeting. She would continue to make clear in the House her view that it was wrong to have contacts with parties which supported violence.

- Contacts with the Unionists. The Northern Ireland Secretary gave the Prime Minister a brief account of his most recent meeting with the Unionist leaders at which they had put forward some ideas for administrative devolution, broadly on the lines of a County Council system.

SECRET AND PERSONAL

- Redeployment of the Army in Northern Ireland. The fact that this had attracted little public comment and no statement by the Irish Government was very welcome.

- Extradition Arrangements with the Republic. There was a brief exchange on the problems which have arisen over the backing of warrants and the further proposals it is intended to put to the Irish Government.

Yours ever,

C.D. Powell

David Watkins, Esq.,
Northern Ireland Office.

SECRET AND PERSONAL

AR 28/1.

PRIME MINISTER

BILATERAL WITH THE NORTHERN IRELAND SECRETARY

You have a bilateral with the Northern Ireland Secretary tomorrow.

The main point which he wishes to raise is the background to John Hume's contacts with Sinn Fein. He is anxious that you should not condemn these in the House so forcefully as to make it impossible for John Hume to continue with them. You think John Hume is being led up the garden path.

Other points which ought to be covered are:

(i) Stalker/Sampson. You will want to establish when Mr. King is going to make his statement and what he will say. The Attorney-General's statement was very satisfactory. We await the Appeal Court's judgment on the Birmingham bombing trial.

(ii) Contacts with the Unionists. He will want to bring you up to date with his contacts with the Unionists. They seem to be in the doldrums. Now might be psychologically a good moment for a move forward, in the wake of the Stalker-Sampson inquiry outcome.

(iii) Redeployment of the Army. This has attracted very little comment and no public statement from the Irish government. But there is little change on the ground yet.

(iv) Extradition. You will find a minute elsewhere in your box which shows that the new extradition arrangements are not working satisfactorily. The Attorney and the Northern Ireland Secretary now suggest that we agree to let the Irish Attorney have a 'statement of facts' in extradition cases, on condition that they agree that this will suffice (and they cannot ask to see the evidence).

CDP

C. D. POWELL
26 January 1988

Paul
3.30 pm on
Monday 8th Feb.
TG. 27/1.

1. Andy
2. Teyca

Can get it - 15 mates please - no desperate rush.

PRIME MINISTER

POSSIBLE MEETING WITH MR. FOWLER

I gather from Mr. Fowler's office he would like fifteen minutes with you, mainly to run through some of the key points arising from his forthcoming adult training White Paper. He has not revealed to his office exactly what he has in mind. He would apparently also like a brief word about the handling of the Dock Labour Scheme.

PRCG 26/1

Do you want me to arrange a slot?

PR BF n.d.a. 5/2.

BF

Yes

PRCG.

PRCG 28/1

(PAUL GRAY)
25 January 1988

PRIME MINISTER

Regarding the matter we discussed yesterday in the study, I wonder whether you would want to talk to any senior colleagues about possible dispositions. Most are ruled out for a discussion because they could be in some way involved. But the Chief Whip (Commons) and perhaps the Chancellor of the Exchequer, and just possibly the Home Secretary are possibilities, if you wished to discuss the matter with someone. If you so wished, you could do this before you went to Africa; or perhaps better at the weekend of your return.

NLW

30 December, 1987.

JD73

CC/LP

PRIME MINISTER

The only substantial item which the Lord President wishes to raise with you is the progress of the legislative programme.

Under this heading you might:

(i) congratulate him upon the splendid victory in the Lords yesterday when the Peers voted by a majority of 73 to retain intact an important provision concerning extradition in the Criminal Justice Bill. It had been thought that the Government would be in difficulties in the vote on this clause;

(ii) enquire about Lord Whitelaw's plans for taking the three flagship bills through the House of Lords. Presumably Lord Belstead will play a major role in piloting through the Housing and Community Charge Bills. It is thought that Lady Hooper, as PUSS at DES, will be in charge of the Education Bill. You might ask Lord Whitelaw whether Lady Hooper, good as she is, can cope with this demanding task in view of the likely opposition, not so much from the Opposition front bench but by the powerful vested interests of the churches, the universities etc. Is there any possibility of strengthening his team for steering the Education Bill through the Lords?

N.L.W.

N.L. WICKS
18 November 1987

EL3CHD

PM seen

PRIME MINISTER

MEETING WITH LORD WHITELAW

Lord Whitelaw has told me that he would like to raise the following topics:

(i) The Government's response to the Great Storm (on which he has minuted at Flag A);

(ii) The dispute by the Prison Officers (on which he has minuted at Flag B);

(iii) The progress of Star Chamber discussions (minutes enclosed);

(iv) The health of the Lord Chancellor. On this you will wish to see the letter (at Flag C) from the Lord Chancellor's GP which is dated 9 October, but which was received here only after we left for Vancouver;

(v) Chairmanship of the Conservative Party.

I should be glad to have a word with you at 0930 tomorrow, if this is convenient for you, about the last two items.

N.L.W.

N. L. Wicks
20 October 1987

DG2CHW

PERSONAL AND CONFIDENTIAL

PRIME MINISTER

MEETING WITH MR. RIDLEY

Mr. Ridley was very concerned to come to see you before Sorensen's report is discussed at E(UP) on Thursday.

I suspect he wants to lobby you about the balance between DTI and DOE. You will not want to commit yourself at this stage. But the overriding need is for all the Government's initiatives to be made to pull together. That may mean compromise on the objectives of individual initiatives.

I am including here the relevant minutes together with Mr. Ridley's paper on Housing Actions Trusts which shows how narrowly their objectives are being interpreted.

Mr. Ridley is down to speak on the community charge at the Party Conference and Mr. Clarke on inner cities. Mr. Ridley must say nothing which would hint at friction between the DOE and DTI.

P. Main

pp D. R. NORGROVE
28 September 1987

PMMAHE

PERSONAL AND CONFIDENTIAL

5

MS.

PRIME MINISTER

MEETING WITH THE DEFENCE SECRETARY: NORTHERN IRELAND

The Defence Secretary is coming to see you on Monday morning for a private word about Northern Ireland. His main purpose will be to convey some of the concerns of the CGS about the army's role in Northern Ireland and restraints on it. The upshot is that the army is not able to act as effectively as it could in dealing with Irish terrorism. It may even be losing the battle.

His specific concerns are:-

- the quality of intelligence which the police make available for the army. He believes that more could be done to improve co-ordination between them.

- excessive remission of sentences of convicted terrorists, which brings them back into the IRA's ranks far too soon.

- the need to make more use of Special Forces to mount actions like Loughall. The reason that more effective use is not made of these forces is again lack of adequate intelligence.

You will want to disccuss with Mr Younger how he thinks we should proceed, if these problems are to be dealt with. They would seem to require consultation with the Northern Ireland Secretary and, in the case of excessive remission of sentences, with the Home Secretary and Lord Chancellor. It is not clear to me whether Mr Younger will ask for the appointment of a very senior figure as intelligence co-ordinator in Northern Ireland; or whether he thinks the problem can be overcome by persuading the RUC to pass more of the intelligence which they have to the army.

In any event I do not think that the outcome of this meeting can be more than procedural. The next step may be to bring together a very small group of Ministers and perhaps the Heads of Agencies for a talk.

C.D.P

Charles Powell

10 July 1987

MJ2BDV

CF
R talk to me 3
days before
meeting about
papers.

A.B.

Could you R
arrange.

PRIME MINISTER

N.L
8.7

NLW
8.7

The Secretary of State for Social Services would like to have a talk with you before the holidays about his plans for his Department's policies.

Can we put him in the diary for late in July after the House rises?

N.L.W.

(N.L. WICKS)

7 July 1987

NLW.
11.30 Tues 28th
(I will keep clear so she can have drink if wishes)
PSB.

DN.

CCB/6P

Yours were going to put a note into the E(LF) folder developing the ideas under 3 below.

NLW 1.7

PRIME MINISTER

MEETING WITH THE LORD PRESIDENT: ITEMS FOR THE AGENDA

1. Mr. Rifkind's minute at Flag A.

2. The Lord President will report to you the outcome of today's QL discussion of the legislative programme, which is to be considered by Cabinet on Thursday 9 July.

As you know, he is most unhappy about the main water private legislation. He believes that everyone's time is being wasted by the pretence that this year's programme will include this legislation. He may argue that it is better to recognise now that it will not, so that the DOE's resources can be switched to higher priority tasks for this Session.

and allow time for consultation

He is also concerned about the Housing Bill. Current estimates suggest that it would be two hundred clauses long! The Lord President believes strongly that one hundred clauses are the limit. There is general agreement that the rent control legislation should be included in the Bill. Inclusion of Housing Action Trust legislation as well would bring the Bill up to one hundred clauses or so. Inclusion of a tenant's option to transfer between landlords would push the Bill to well beyond the one hundred clauses limit.

The Treasury oppose both the dropping of the main water privatisation legislation and the inclusion of the Housing Action Trust clauses within the first Housing Bill (both because of the public expenditure necessary to bring the housing concerned up to reasonable standards and because of their wish to leave room in the programme for the water legislation.)

More generally, the Lord President is most concerned to ensure that the Community Charge, Education and Housing Bills have been introduced before Christmas.

3. You may wish to have a brief word with the Lord President on the broad political tactics for pushing through the Community Charge legislation. The Chief Whip has told me that already a number of senior members of the Party have expressed opposition, for example, Sir Philip Goodhart, Mr. Michael Heseltine and Sir Barney Hayhoe. Other less senior members have also expressed opposition or reservations.

Ministers will need a plan for dealing with this opposition. The Whips are already mounting a major campaign, which will need to be kept up over several months. In addition, there needs to be, I think, a concerted campaign in the House by senior backbenchers, like Sir Peter Hordern, Sir Michael Shaw and Sir Giles Shaw, to rally support. The Department of the Environment need to establish a Publicity Unit (into which Bernard should have an input) to mount a campaign throughout the country to publicise the advantages of the Community Charge and to respond instantly, and at local level where necessary, to criticisms and mis-information. The Conservative Party needs to be involved, especially to rally the doubters in the ranks among your supporters in local government.

All this needs organisation. You might depute, at Thursday's E(LF), the Secretary of State for the Environment and the Chief Whip, in consultation with the Party, to get matters moving.

N.L.W.

N. L. Wicks
30 June 1987

R. POWELL

CF
I don't think I should keep a meeting with S/S Defence!

1. Could you please 'phone Dr. Francis Kinney on I explained that you would not be back until Wednesday.

2. Ian Andrews of MOD 'phoned to say that his Secretary of State had said to the Prime Minister at last Thursday's Eve of Session Dinner that he would like a private word with her on Northern Ireland. Ian was not sure that this message had filtered through to you. If possible, he would like it early next week.

Fixed for 1030 Mon 13 July 10.30 13/7

PAB

29 June, 1987.

TEMPORARILY RETAINED J. Gray 14/3/2017
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PRIME MINISTER

BILATERAL WITH THE NORTHERN IRELAND SECRETARY

Mr. King has a very short meeting with you tomorrow. He wants to raise personal matters. He may mention the security situation, on which he is minuting you more fully.

CDP

(C.D. POWELL)

29 April 1987
DCABFG

Charles

Tom King wants to see the PM for 10 mins on Thursday. Have penciled in 1645 - 1700 and have asked his P.S. to talk to you about the subject.

BF

Ibbs

28/4

8RW

10 DOWNING STREET

PRIME MINISTER

You may want to take the opportunity of Mr. Walker's presence to ask him, after the Chancellor has left the meeting, how he would propose that the NIREX matter should be played for a General Election.

(N. L. WICKS)
27 April 1987

PRIME MINISTER

MEETING WITH MR. WALKER

I understand that Mr. Walker, in the margins of tomorrow's meeting on electricity privatisation, will himself raise NIREX and the issue of the CEGB Chairman's salary.

NIREX

Mr. Walker envisages that low level waste would, for the foreseeable future, be stored at the Drigg site near Sellafield. (Intermediate waste would presumably remain at the originating sites.) He thinks that the chairmen of the CEGB, NIREX and BNFL would agree, but he may suggest to you that you should convene a meeting of these chairmen, plus himself, to give them a push towards this solution.

If this approach was agreed, a statement would be made very soon that this possibility was under consideration. The NIREX site investigations would still continue, but the MPs concerned would have the opportunity for making the point locally that the pressure was off their constituencies since the eventual decision would no doubt be to store the low level waste at Drigg.

This is an interesting possibility for removing the "blight" over the NIREX constituencies. But I recommend that before agreeing to any meeting with the chairmen (which must be kept strictly confidential), the views of Mr. Ridley (nuclear inspectorate etc.) and Lord Whitelaw (effects on Conservative politics in the North West) should be sought.

CEGB Chairman's Salary

Mr. Walker may return to the argument that if Lord Marshall is to receive £95,000, Sir Philip Jones, Chairman of the Electricity Council, should receive the same salary.

N.L.W.

(N.L. WICKS)

27 April 1987

FILE 4 DA

SUBJECT CC MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

27 April 1987

Dear Robin,

MEETING WITH MR. RIDLEY

Your Secretary of State called to see the Prime Minister this afternoon. Mr. Stephen Sherbourne was also present.

Your Secretary of State said he saw no need for a Parliamentary statement on low budget UDCs. If the meeting of E(A) tomorrow approved the policy, this could be announced in the Manifesto.

Your Secretary of State explained his views on the need for an authoritative statement reaffirming the Government's policies on matters of development and conservation. (A draft was attached to his minute to the Prime Minister of 9 April.) The Prime Minister agreed that press reports of the Government's policies were exaggerated and misleading. The Prime Minister commented on paragraph 14 of the draft circular that the reference to "moderate sized townships" would cause alarm. This paragraph could be substantially shortened. The Prime Minister said she would hold a meeting both to discuss the proposal for a new circular and the circular on development involving agricultural land.

Your Secretary of State noted that a meeting of E(A) to discuss water privatisation was scheduled for 7 May. He hoped to be able to make a statement to Parliament thereafter: the revised policy should prove very popular.

On housing policy, Mr. Ridley showed the Prime Minister a list of the papers in preparation which would form the basis of further policy decisions. The Prime Minister commented that it would be preferable to amalgamate these into two or three papers for discussion at E(LF). The Prime Minister felt it would be wrong to attempt to publish a White Paper before the election, if that were to take place in June. It might be better for your Secretary of State to make a major speech which could be published as a Conservative Party pamphlet. The details of the policy should not be tied down too firmly at this stage: they were likely to change as instructions for Counsel were prepared. It was agreed that policy papers should be circulated to E(LF) in time for meetings in the week beginning 4 May. Key passages for a major speech on housing policy should also be circulated for clearance by E(LF) during

JB

that week. Whether or not the material should be put out as a speech or in some other form should be decided at that time. Your Secretary of State noted that a policy document was in preparation in his department.

It was agreed that Mr. Patten should not announce in the course of tomorrow's debate on homelessness a scheme or consideration of a scheme for preventing gazumping.

Yours,
David.

(DAVID NORGROVE)

Robin Young, Esq.,
Department of the Environment.

SLHAII

CONFIDENTIAL

PRIME MINISTER

MEETING WITH MR. RIDLEY

Mr. Ridley wishes to discuss with you how to play the Government's future housing and urban policies in the run up to the general election.

Mr. Ridley is considering a White Paper or Party document to describe the Government's plans. He feels they are election winners and that it is only proper for the Government to make clear, before an election, what it intends to do afterwards.

There is no doubt much in what Mr. Ridley says, and - if I may say so - all experience shows that however potty some of his ideas seem at first sight there is always good sense in them.

I would however be very doubtful about a White Paper if there is to be an election in June. A White Paper tends to be quite detailed (doubts will be raised if it is not) and committing. Yet it would need to be ready for publication within a fortnight or so, and most of the details of the policies remain to be worked out: the two meetings of E(LF) which you chaired gave only a very general blessing to Mr. Ridley's housing proposals. A hasty White Paper might raise more questions than it answered. It would also tend to pre-empt your Manifesto.

A Conservative Party document could be less detailed and would be less committing, but would in some ways even more clearly pre-empt the Manifesto.

One possibility would be for Mr. Ridley to make a substantial speech. But this must be before an election campaign starts. Otherwise it will be difficult to give it a full departmental scrutiny.

You could say you would be ready to look again at the idea of a White Paper if there is no election in June.

DKW

DAVID NORGROVE

24 April 1987

CONFIDENTIAL

4.

PRIME MINISTER

MEETING WITH MR. FOWLER

You are meeting Mr. Fowler tomorrow at his request, in advance of a meeting he plans with his Ministers of State next week. I understand that he wishes to discuss the handling of the Election campaign in his area of responsibility. You might find it helpful to have a few comments on outstanding health and social security pledges.

SOCIAL SECURITY

It would clearly be counter-productive to try to tinker with the pledge that "we shall continue to protect retirement pensions and other linked long-term benefits against rising prices". The main risk here will be pressure during the Election campaign to promise that the basic State retirement pension will from, time to time, increase in real terms, reflecting rising real living standards in the economy as a whole. In principle, there would be some attractions in taking out the reference to "other linked long-term benefits", but the savings would not be worth the trouble.

Nothing has been done since 1979 about the commitment to abolish the pensioners earnings rule. You have said in the past that you believe this could be done without a public expenditure cost. However, the Treasury put the cost at £100m.

The Christmas bonus shrinks every year in real terms, and there may be pressure on that.

There was no commitment on child benefit in the last manifesto, but there was a commitment following the Social Security review that "child benefit would remain a universal benefit, untaxed and paid to mothers". This forecloses several options.

DHSS have, apparently, carried out a major statistical survey of disablement and there is a Green Paper on disablement in the wind, envisaged as a response to the results of the survey. This could be potentially a very expensive area.

HEALTH

The main area here is prescription charges, where there will be pressures for a commitment on the level of charges and the range of exemptions. You will also want to avoid other commitments which would limit the scope for using charges, hotel charges for example, or other means of raising finance.

G. Stevens

DUTY CLERK

pp DAVID NORGROVE

23 April 1987

PRIME MINISTER

cc Mr. Sherbourne

Mr. Ridley would like to discuss with you early next week how to play the Government's future housing and urban policies in the run up to the general election.

He is thinking whether there ought not to be a White Paper or some Conservative Party document which describes the Government's plans. He feels that they are election winners and that it is only proper for the Government to make clear, before an election, what it intends to do afterwards.

Personally, I wonder whether Mr. Ridley is right. Plans on housing and urban policy have still a lot of work to be done on them and too early a presentation of an unfinished product might allow an opportunity for the Government's critics. But this is something to discuss with Mr. Ridley.

Agree to see Mr. Ridley early next week?

N. L. WICKS

22 April 1987

SLH/28

SUBJECT
cc master

File

FRABM

bc: PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 March 1987

Dear David,

PRIME MINISTER'S BILATERAL WITH THE NORTHERN IRELAND SECRETARY

The Prime Minister had a talk with the Northern Ireland Secretary this evening.

The Prime Minister and Northern Ireland Secretary agreed that Mr. Haughey's statement in the Dail on 10 March about the Anglo-Irish Agreement (see paragraph 7 of Dublin telegram number 103) was unhelpful. We should make clear that the United Kingdom remained fully committed to the Agreement. We should also need to find a way of discouraging any further utterances on these lines and persuading the new Irish Government to endorse the Anglo-Irish Agreement in its entirety and without reservations. One possibility would be to get the United States to put pressure on Mr. Haughey. The Prime Minister would be grateful if the Foreign Secretary could consider this urgently. The Northern Ireland Secretary said that, as soon as it was confirmed that Mr. Lenihan would be appointed co-chairman of the Intergovernmental Conference, he proposed to invite him for a talk in London, in which he would explore the position. It must be clear that any attempt to reopen the Agreement stemmed from the Irish Government and not the United Kingdom.

There was also some discussion of the tentative approach from Mr. Molyneaux and Dr. Paisley for a meeting with the Prime Minister. As you know, they have asked for their request to be put on hold for the time being. The Prime Minister said that her instinctive feeling was that they were not yet ready for a serious talk. The Unionists still did not know where they were going (although your Secretary of State pointed out that they had now set up a task force to consider this). She thought it most unlikely that any progress could be made with them before elections in the United Kingdom.

Your Secretary of State reported that there was further evidence that opinion in Northern Ireland was slowly becoming accustomed to the Agreement. The Unionists would never like it. But it was becoming less of a neuralgic point and they were finding it harder and harder to mount effective protests against the Agreement. Most people just wanted to get on with life.

086

I am copying this letter to Tony Galsworthy (Foreign and Commonwealth Office) and to Sir Robert Armstrong.

Yours sincerely,

(C.D. POWELL)

David Watkins, Esq.,
Northern Ireland Office.

CCS/MP

PRIME MINISTER

MEETING WITH THE NORTHERN IRELAND SECRETARY

Mr. King is coming to see you at his own request. The main subject is likely to be the request from Mr. Molyneaux and Mr. Paisley for a meeting with you. The letter in the folder sets out Mr. King's views on this. In brief, he sees it as a useful way to resume a dialogue with them, if only a rather stunted one.

He may mention Unionist reactions to the Government's rejection of the petition supporting a referendum. Paisley and the DUP are again threatening a campaign of civil disobedience.

He will no doubt want to give you his assessment of the implications of Mr. Haughey's election as Taoiseach for the conduct of business under the Anglo/Irish Agreement.

He may mention the debate on the Northern Ireland Emergency Powers Order, which ended in some antics from Paisley.

There are one or two security matters which he wants to touch upon.

C.D.P.

CHARLES POWELL
11 March 1987

EL3BVE

Mrs Gaisman

1

Confirmed 3/2

10 DOWNING STREET

PRIME MINISTER

The Chief Whip would like a brief meeting with you sometime this week, at, say, 0900 on Friday. Shall I arrange?

Yes pls

N.L.W.

NLW

2 March 1987

CC/UP

PRIME MINISTER

MEETING WITH THE LORD PRESIDENT

Two items for the agenda:

1. Immigration (Carriers) Bill

   The Lord President wants to raise Parliamentary handling aspects of the bill.

2. Legislative Programme 1987-88

   In his letter at Flag A, the Lord President explained to Mr. Ridley the problems QL foresaw with the DOE Bills in the next session. He suggested for the 1987-88 session:

   - Rates Abolition Bill
   - Local Government Bill (to include at least competition)
   - a Water Powers Bill (leaving the main Water Bill to the second session)
   - a Bill on the private rented sector (leaving the other parts of the Housing Bill to the second session).

The Chancellor, in his letter at Flag B, puts in a strong plea for the entire Water Bill in the first session.

N.L.W.

NIGEL WICKS

2 March 1987

SUBJECT
MASTER

SECRET AND PERSONAL

DAS 3

MTG RECORD

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

17 February 1987

Dear Tim,

The Prime Minister yesterday discussed a range of Trade and Industry matters with your Secretary of State. This letter records action points which were agreed.

On competition policy, it was agreed that your Secretary of State should circulate to the small group of Ministers which discusses the affairs of the Rover Group from time to time, a paper about the results of the first stage of the review.

The meeting to discuss competition policy should also discuss the possible privatisation of the Post Office and the British Steel Corporation, in view of the particular sensitivities arising from what would be seen as threats to rural post offices and to Ravenscraig. No papers should be circulated before the meeting but, if necessary, a note might be handed round at the meeting.

On Airbus launch aid, a paper should be prepared and circulated at this stage only to the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster.

I am copying this letter to Tony Kuczys (H.M. Treasury).

Yours,
David

D R NORGROVE

Timothy Walker, Esq.,
Department of Trade and Industry.

SECRET AND PERSONAL

10 DOWNING STREET

Prime Minister

I hear on the grapevine that relations between Rt Chairman and Rt Pattie are not good, mainly because Rt Pattie tends to go off on an independent line.

N.C.W

13.2

SECRET

SECRET

2

PRIME MINISTER

MEETING WITH MR. CHANNON

This meeting is at Mr. Channon's request. Its purpose is to take you through a range of policy issues and to acquaint you with their various timetables. No decisions are needed, but there will be a lot to get through in three-quarters of an hour. The areas are as follows.

- **City:** timing of reports and possible criminal charges in the Collier and other City cases.

- **Lonhro:** Tiny Rowland is threatening the DTI with a judicial review over House of Fraser; it seems increasingly likely that the DTI will wish to instigate a Companies Act inquiry into the Al Fayed takeover of House of Fraser on grounds of possible fraudulent statements about their financial backing.

- **Competition Policy:** the Treasury and MAFF (from opposite points of view) are pressing Mr. Channon to bring the first stage of the inquiry into competition policy to a collective discussion. I do not know Mr. Channon's own view, but there are arguments both ways on this. On the one hand not to have discussed even the first stage of the review might be embarrassing if another controversial takeover hit the headlines. On the other hand, this stage of the review has been considering only what is feasible within existing legislation, and to have conflicting positions within the Government about takeovers possibly exposed in the press at the same time as the Banking Bill is going through the House, could itself be difficult.

- **Airbus:** a decision is likely to be needed by June.

- **Rolls Royce:** the present front runner is for the offer to close on 7 May which of course is a possible election

SECRET

SECRET

day.

- **British Steel:** on this, see Mr. Channon's minute enclosed. Lying behind this is the belief that if the possibility of privatisation of British Steel is mentioned in the Manifesto, the Government will be asked about the future of Ravenscraig. Yet the advice from merchant bankers is apparently that BSC could not be privatised successfully with Ravenscraig open. The alternative to closing Ravenscraig would be to close the hot strip mill on Teesside.

- **Post Office:** again the question of whether privatisation should be mentioned in the Manifesto.

- **Govan:** it seems unlikely that Govan will win the Britanny Ferry order and the St. Helena ship order is now unlikely to be placed before August. Govan will, as seen at present, run out of work after March. Even if it wins the China order for three ships there will be a gap and there is some risk that the China contract might not be placed at all for some months.

- **Westland:** a decision will be needed in the next month or so.

You know the position on Rover Group.

DLN

(DAVID NORGROVE)
13 February 1987

PRIME MINISTER

Mr. Channon's office told me that he has a number of concerns on his mind and would like to come to talk to you. He fears some difficult stories might surface at politically awkward times. I have therefore put him in the diary to come to see you on Monday 16 February at 1700 hours.

N.L.W.

N L WICKS
10 February 1987

SECRET (1) Meeting record

NOTE FOR THE RECORD

cc 1. Mr. Unwin; please pass to
2. Mr. Williamson

MEETING WITH MR. JOPLING

The Prime Minister this afternoon met Mr. Jopling for half an hour for a personal discussion.

Mr. Jopling explained the need for him to be able to make positive announcements in his address to the NFU Annual Conference. The Prime Minister agreed that, provided the proposal for a document was accepted at next week's meeting, he could announce then the ALURE proposals. He would need to take care to avoid offending House of Commons sensibilities.

Mr. Jopling then said he thought the UK should seek a 13 per cent devaluation of the Green Pound as part of this year's price negotiations. MCAs in 1979 had been 14-18 per cent, and the Government in fighting the election campaign had undertaken to phase these out over the life of the Parliament. The Government should seek to return MCAs to no more than that level. The cost would be around £325 million in public expenditure terms.

The Prime Minister expressed horror at this. MCAs had in fact disappeared within a year after the 1979 election because sterling had risen following the Conservative victory. This could well happen again. Moreover the extra expenditure could not be afforded, and it made no sense to reduce prices in the price negotiations only to increase them again by a devaluation of the Green Pound. If Mr. Jopling wanted a devaluation of the Green Pound he certainly could not have ALURE. Could the price fixing not be prolonged so that an election might have been held before final decisions were reached?

Mr. Jopling said not: an application for a devaluation had to be made early in the price negotiations.

SECRET

The discussion continued for some time, with Mr. Jopling pointing to the political difficulties of the present circumstances and the Prime Minister opposing the devaluation.

DAVID NORGROVE
28 January 1987

EL3BRM

PRIME MINISTER

MEETING WITH MR. JOPLING

Mr. Jopling has asked for half an hour with you to explain his concerns about the rural economy.

His main concern seems to be with ALURE. On this, a further meeting has been arranged for Thursday week, 5 February, to discuss whether a document should be published, to agree the details of the Woodlands Scheme and to agree the timing and manner of publication of the proposals on planning changes.

Mr. Jopling may also mention to you his concern about movement towards fundamental reform of the CAP including abolition of green rates and MCAs. He appears to fear that this is bound to be to the detriment of British farmers, though that of course ain't necessarily so: it depends how exchange rates and MCAs would otherwise have moved.

See also further note below.

DN

David Norgrove

27 January 1987

Mrs Ridley ?

PR arrange.
N.L.W.

10 DOWNING STREET

6.1

Prime Minister.

Shall I arrange
the short talk
which Mr Ridley
seeks in his letter?

Mr Whitelaw.

N.L.W

Yes please
MT

10.30 - 11.00.
TUE 13 JAN
C.R. 6/1

from Nicholas Ridley

27 Dec 86

Dear Margaret

We both thank you very much indeed for asking us to your Boxing Day lunch: which we very much enjoyed. Lots of nice people, and a truly massive feast. Thank you very much indeed.

If there is anything I can do on the policy Group reports and the preparation of the Manifesto, do let me know.

I would be happy to do anything I can to help. Indeed it would be nice to have a short talk with you about a lot of the problems at DOE - whenever you have time.

Once again thank you so much for lunch. A very happy + successful New Year to you both.

Yours ever

Dick

1

10 DOWNING STREET

PRIME MINISTER

Mr. Edwards has asked to come to see you for an urgent "political and private talk". 20 minutes

You can no doubt guess what he has in mind.

He wants the meeting this week. Shall we ask him to come before Cabinet on Thursday?

YES – we can if the Home Sec will agree. Otherwise better to keep him in No 10.

N.L.W.

(N.L. WICKS)
8 December 1986

NLW. 10.00

Edwards fixed for 9.30 Thurs.

PRIME MINISTER

MEETING OF COLLEAGUES

Besides the normal business matters, I suggest the following for the agenda:

1. Mr. Jopling asked me yesterday to pass on to you his great anxiety about the position of beef and milk producers. Beef producers had already demonstrated in the streets, and he feared further disorder. One important problem was imports of Irish beef, stimulated by their advantageous green pound. Mr. Jopling said that at no time in the last two and a half years had he experienced such hostility from the farmers. The officers of the Backbench Agriculture Committee were refusing to support him.

The Lord President and the Chief Whip had a long talk with Mr. Jopling recently about matters agriculture and the politics of the farming vote. They can report on Mr. Jopling's anxieties and position.

2. Mr. Campbell-Savours has won the ballot for a Private Members Motion on Monday 15 December and has chosen the Security Services as the topic for his three hour debate. He has threatened to use that debate to expose all he knows about the Security Services, including, we suspect, naming current Security Service members on the Floor of the House. The Chief Whip is contemplating the following stratagem to deal with Mr. Campbell-Savours.

Some heavyweight Conservative backbenchers should table an Early Day Motion calling upon the Leader of the Opposition to stop Mr. Campbell-Savours putting national security in jeopardy by naming names etc in the debate. In a separate EDM backbenchers would call upon the Leader of the House to change the business if the Leader of the Opposition was unable to get an undertaking from Mr. Campbell-Savours that he would not raise sensitive security points. The Chief Whip would also

see his opposite number to express concern and the Lord Privy Seal would possibly talk to his opposite number Mr. Shore.

Such tactics would give the Government "the high ground". If satisfactory assurance were not received from Mr. Campbell-Savours or the Leader of the Opposition and it looked as if he would proceed with the Statement, the Government would alter the business in some way so as to postpone this private business debate.

Before definitely deciding tactics, the Chief Whip would like to talk them through with yourself and the business managers.

N.L.W.

N. L. WICKS
5 December 1986

JA2AHQ

Business of the House

3.35 pm

Mr. Roy Hattersley (Birmingham, Sparkbrook): May I ask the Leader of the House to tell us the Business for next week?

The Lord Privy Seal and Leader of the House of Commons (Mr. John Biffen): Yes. Sir. The Business for next week will be as follows:

MONDAY 8 DECEMBER — Second Reading of the Teachers' Pay and Conditions Bill.

Afterwards there will be a debate on EC documents on aid to shipbuilding. Details will be given in the *Official Report*.

Motion on the British Shipbuilders Borrowing Powers (Increase of Limit) Order.

TUESDAY 9 DECEMBER — Second Reading of the Abolition of Domestic Rates etc. (Scotland) Bill.

There will be a debate on a motion to take note of EC Document 8705/86 on food aid policy and management.

Afterwards there will be a debate on EC documents relating to air transport. Details will be given in the *Official Report*.

WEDNESDAY 10 DECEMBER—Remaining stages of the Teachers' Pay and Conditions Bill.

At Ten o'clock the House will be asked to agree the Civil and Defence Votes on Account and the Winter Supplementary Estimates.

THURSDAY 11 DECEMBER — Second Reading of the Northern Ireland (Emergency Provisions) Bill.

Motion on the draft Northern Ireland (Emergency Provisions) Act 1978 (Continuance) (No. 3) Order.

FRIDAY 12 DECEMBER—Private Members' motions.

MONDAY 15 DECEMBER—Until seven o'clock, Private Members' motions.

Motion for the Christmas Adjournment.

Proceedings on the Consolidated Fund Bill.

Mr. Speaker, the House will wish to know that it will be proposed that, subject to the progress of business, the House should rise for the Christmas Adjournment on Friday 19 December, until Monday 12 January.

Monday 8 December
Debate on Aid to Shipbuilding
Relevant European Documents:

(a) 9470/86	*Aid to Shipbuilding*
9470/1/86	

Tuesday 9 December
Debate on Food Aid
Relevant European Documents:

(b) 8705/86	*Food aid policy*
+ COR 1	

Debate on Air Transport
Relevant European Documents:

(c) 5938/84	*Air Transport policy*
(d) 7932/1/86	*Community air transport policy*
(e) 8324/86	*Community air transport policy*
(f) 8109/86	*Inter-regional air services*
(g) 9132/86	*Inter-regional air services*

Relevant Reports of European Legislation Committee
(a) HC 21-xxvii (1985-86) para 3
(b) HC 21-xxvii (1985-86) para 1 and HC 22-ii (1986-87) para 2
(c) HC 18-xxvii (1983-84) para 9 and HC 5-xxi (1984-85) para 1
(d) HC 21-xxviii (1985-86) para 4
(e) HC 21-xxviii (1985-86) para 4
(f) HC 21-xxviii (1985-86) para 3
(g) HC 21-xxviii (1985-86) para 3

Mr. Hattersley: I ask the Leader of the House two specific questions about next week. He will recall that a private notice question was recently asked concerning the Government's manipulation of the trade figures. The House was assured that the figures published on the day of the private notice question were accurate. We now know from the information available today that that was not so. I am sure that the Leader of the House will agree that the Minister in question has a duty to return to the House next week to clarify the position and correct the errors he made when answering the private notice question.

Will the Leader of the House confirm that the Government have already made up their mind to carry the Teachers' Pay and Conditions Bill through all its stages in three sittings of the House and have already promised to deliver it to the House of Lords immediately after Christmas? Does that not confirm the view of the right hon. Member for Cambridgeshire, South-East (Mr. Pym) that, given a large majority, the Prime Minister would certainly abuse it?

Mr. Biffen: I shall certainly look into the right hon. Gentleman's first point, with which I am not as familiar as he obviously is, and refer it to my right hon. Friend the Secretary of State for Trade and Industry. I accept that the right hon. Gentleman's second point is a matter of great substance. The House will understand the urgency in coming to a decision on these matters. With that in mind, I have tabled a motion which, if passed today, will enable amendments to be tabled to the Bill before Second Reading. I hope that the arrangements which I have outlined will prove to be helpful to the House. I note the right hon. Gentleman's point. I shall arrange for the matter to be considered further through the usual channels to ascertain whether a more acceptable day for the remaining stages can be found. We shall have to judge progress.

Mr. Nicholas Budgen (Wolverhampton, South-West): Will my right hon. Friend find time to allow the House to discuss the issue of the compulsory attendance of pupils at the teaching of Punjabi in a number of schools in the west midlands? In particular, will he provide such an opportunity for those who wish to express doubts on behalf of the parents of children at the Colton Hills School in my constituency, who find that, against their wishes and against the promises in the prospectus, they are obliged to attend lessons in Punjabi?

Mr. Biffen: My hon. Friend has raised a valid point which could have wider application in the future. Therefore, I would like to draw his attention to the opportunity that would be presented by proceedings on the Consolidated Fund Bill, when he might make the matters more extensible to the House.

Mr. David Alton (Liverpool, Mossley Hill): Is the Leader of the House aware that it is now nearly a year since the Leader of the Liberal party wrote to the Lord

PRIME MINISTER

CC MR. WICKS

LORD PRESIDENT

I am afraid that the Lord President cannot attend the meeting for colleagues on Monday morning.

CR

17 October, 1986.

PRIME MINISTER

MEETING WITH THE NORTHERN IRELAND SECRETARY

The Northern Ireland Secretary is coming for a meeting tomorrow. I am told that he has nothing particular to raise. He may want to say a word or two about the recent meeting of the Inter-Governmental Conference (you saw the report: it is in the folder).

You told the Chiefs of Staff that you would like a meeting at some stage about cross-border security cooperation involving them and the RUC. We will look for a date in the diary.

You should be aware that the Northern Ireland Secretary is still in dispute with the Defence Secretary over the fate of the two additional battalions in Northern Ireland. Mr. Younger wants to withdraw one shortly after Christmas and the other at the end of 1987. I have let Mr. King's office know that your sympathies lie with the Ministry of Defence on this issue.

You will want to ask Mr. King whether he sees any openings at all for engaging the Unionists in dialogue once Parliament resumes.

There is now a lot more publicity about the Stalker case. The Observer ran a story that the RUC had pursued a shoot to kill policy some years ago.

You might like to consult the Northern Ireland Secretary on whether you should do a radio interview for Northern Ireland once the anniversary of the Anglo-Irish Agreement is past.

You should be aware that there are a couple of crucial votes in the Dail in the next few days on either of which Dr. FitzGerald's government could fall.

C.D.P.

CHARLES POWELL
15 October 1986

Lile BM

1. MR. WICKS
2. PRIME MINISTER

I have received an approach from Norman Tebbit's office asking for a weekly meeting with you.

Content for me to set up?

(Caroline Ryder)
18 September 1986

10 DOWNING STREET

C.R.

Norman Tebbit's Office phoned to say that he would like to have a weekly meeting with the PM. He would like to reinstitute the system. I have pencilled in 10.30 - 11.00 on Weds 24/9. Is this OK? If so please confirm to his Office.

PS
17/7

PRIME MINISTER

bc.
Mr. Wicks
Mr. Sherbourne
Mr. Allison

The Chairman would like to come and see you next week on his own. I have put him in the diary on Wednesday, 30 July, at 1830.

CR

24 July, 1986.

PRIME MINISTER

BILATERAL WITH MR BIFFEN

You said you would discuss Thursday's Cabinet with Mr Biffen, but in the context of a more general tour d'horizon. You said in particular that you might discuss the progress of the Strategy Group with him.

As for Cabinet on Thursday I suggest the main points to make are:-

(i) There is as always great pressure on the public expenditure position, in large part as a result of higher spending by local authorities; they are increasing their spending in many cases by 8 per cent or more at a time when inflation is only 2½ per cent.

(ii) Pay remains a key problem; the local authority manual workers received over 8 per cent and the position on teachers is ominous.

(iii) There is continuous evidence of the scope for improved value for money in the public services, for example from the Audit Commission; improved efficiency is already contributing £150m. a year to the Health Service; on a vote of over £18b. it is difficult to believe that this is anything more than a small start towards what could potentially be achieved.

(iv) It remains vitally important to keep firm control of public spending; of course higher spending in some areas will be necessary but this would put everything at risk if it led to a loss of

confidence in the Government's well-deserved reputation for prudence which has been built so steadily over the past seven years.

Martin Sawer

pp. David Norgrove

14 July 1986

MJ2CEX

FLE ECL

10 DOWNING STREET

From the Principal Private Secretary

25 June 1986

Dear Joan,

PRIME MINISTER'S WEEKLY MEETING WITH THE BUSINESS MANAGERS

I now write to confirm that following my consultation with you, David Morris and Murdo Maclean yesterday, the Prime Minister has agreed to institute a meeting at 1030 on Monday mornings for the traditional discussion of Parliamentary business. We are therefore allocating a half hour slot each Monday morning at this time. Could you please assume that the meeting will take place each Monday unless you hear to the contrary from us.

I am sending a copy of this letter to David Morris (Lord Privy Seal's Office) and Murdo Maclean (Chief Whip's Office).

Yours sincerely,

Nigel Wicks

(N.L. Wicks)

Miss Joan MacNaughton,
Lord President's Office.

MA

PRIME MINISTER

WEEKLY MEETING WITH THE BUSINESS MANAGERS

You suggested that the meeting of Business Managers (Lord President, Lord Privy Seal and the Chief Whip) might take place at around 1415 after the weekly lunch for the strategy group members.

This causes problems for the Lord President who likes to be in the House of Lords when the House begins at 1430. The Chief Whip would also find it difficult since the Whips meeting begins at 1430.

Could I therefore suggest that the Business Managers meeting might take place at 1015 on Monday mornings, lasting for no more than half an hour.

Agree?

N.L.W.

N.L. Wicks

24 June 1986

MJ2CCQ

FILE CO.

MR. WICKS

LORD PRIVY SEAL

Will you be contacting the Lord Privy Seal's Office about offering him 1430 for a regular Monday weekly meeting with the Prime Minister?

I am in difficulties about Monday 30 June but I do not envisage any difficulties with other Mondays.

Could you let me know what action to take please?

CR.

We have fixed Leader's Question Time for 1000 am.
Brother

CAROLINE RYDER

24 June 1986

CJ.

CR

Well done

NCW

12.6

MR. WICKS

CHANCELLOR OF THE DUCHY

He cannot do Tuesday morning at all as he is at the talks so I have put him in after King Hussein at 1800 hours.

CR.

(Caroline Ryder)

11 June 1986

cc: Mr. Wicks ✓
Mrs. Goodchild

PRIME MINISTER

CHAIRMAN: MONDAY 9 JUNE

The Chairman will be a little late for the meeting of colleagues on Monday as he is launching a book in aid of paraplegics, but he will stay for the lunch.

(Caroline Ryder)
6 June 1986

10 DOWNING STREET

Prime Minister

We already have a bilateral with N Baker arranged for next Tuesday 10 June.

Do you want to bring that forward to this week as he asks?

Would you like to see him on your own or with eg the Lord President?

DNR

With Lord President. Incurs 2/6. If this is so we should come before Cabinet on it

PERSONAL

PRIME MINISTER

Topics for the agenda are:

(i) Personnel appointments at the DHSS. (I have fully briefed the Lord President's Private Secretary. The Lord President will be speaking to Mr. Fowler before the meeting.)

(ii) Lord Whitelaw's impressions of his Russian visit.

(iii) The general political position.

The Lord President's Private Secretary tells me that it has been a most strenuous tour and that the Lord President is very tired. She has suggested, and I agree, that we should defer the discussion on presentation of Government information and the future of MIO to a later meeting.

N.L.W.

N L WICKS

2 June 1986

SLHAMA

PERSONAL

SECRET

PRIME MINISTER

Cancelled.

BILATERAL WITH NORTHERN IRELAND SECRETARY

Points which you will want to raise with the Northern Ireland Secretary are:

(i) Meeting with Mr. Molyneaux and Dr. Paisley

Officials will have met them today. You will want to establish how the meeting went and how he sees the next steps.

(ii) Next meeting of the Intergovernmental Conference

Has a date for this yet been set? Has any progress been made in convincing the Irish Government that it should not be in Belfast?

(iii) Contingency Plans in the event of Industrial Disruption

Mr. King sent you a summary of the contingency plans in the event of extended industrial action. You will want to let him have any comments.

CDP

(C. D. POWELL)
29 April 1986

SECRET

PRIME MINISTER

BILATERAL WITH THE NORTHERN IRELAND SECRETARY

You have a bilateral tomorrow with the Northern Ireland Secretary. The points he will wish to discuss are:

(i) You may wish to compliment him on his speaking note about Libya and the IRA which seems to have been used effectively in a lot of papers and by other Ministers.

(ii) His assessment of the security situation in the Province.

(iii) Although Mr. Molyneaux and Dr. Paisley have spoken approvingly of your latest letter to them, we have not yet received any reply. You may like to ask what intelligence he has of their intentions and how he thinks follow-up discussions with them might be organised if they are willing to participate.

(iv) The press are claiming that no meetings of the Intergovernmental Conference are currently planned. You may like to check the position on this with him.

(v) You will want to reassure him that when you see Eldon Griffiths on Thursday to discuss RUC matters, you will stick firmly to the line he has recommended.

CDP

CDP

22 April 1986

VC4AGJ

MR. WICKS

BILATERALS

Do you wish me to arrange any further bilaterals?

CR

21 April 1986

CR

Not for the moment!

I may want to insert Fowler for one in May, but let us see.

N. L W

21.4

CR

PRIME MINISTER

MEETING WITH SECRETARY OF STATE FOR TRADE AND INDUSTRY

Mr. Channon has been Secretary of State for some two months now. The purpose of this general chat is to hear from him his current concerns. The discussion need not presumably cover GM/Leyland since this is likely to be discussed in other meetings early next week.

Mr. Channon's office tell me that he may wish to raise:

(i) the future of the shipbuilding industry;

(ii) the Manifesto for the next Election.

More generally, you may want to discuss the workings of the Department. For the moment at least, the Department of Trade and Industry is the Government's "bed of nails". Its work does not have much operational coherence. Lots of unrelated crises - in recent months: tin, Westland, VSEL, BL, etc. It is very much affected by unpredictable events outside its control. It therefore is an extremely difficult department to manage - a large disparate empire, as is reflected by the fact that it has a dozen officials of Deputy Secretary rank. (To some extent, the Treasury is an easier department to manage because its operations are given coherence by the annual Budget, Public Expenditure Survey and the annual rolling forward of the MTFS.)

Would Mr. Channon accept this diagnosis of the Department's tasks? Could anything be done to help him in its management? How are his Junior Ministers performing?

N.L.W.

N L WICKS

11 April 1986

SL3APF

PRIME MINISTER

MEETING WITH THE SECRETARY OF STATE FOR NORTHERN IRELAND

The Northern Ireland Secretary is seeing you for half an hour on Monday evening. Subjects which you will want to cover are:

(i) Review of developments over the Easter weekend;

(ii) Continuing intimidation of RUC families;

(iii) Reply to the latest letter from Mr. Molyneaux and Dr. Paisley (copy in folder);

(iv) Handling of future parades and marches;

(v) Northern Ireland Secretary's proposal for legislation to introduce a declaration by candidates in Northern Ireland elections rejecting violence and support for organisations which practise it.

C.D.P.

Charles Powell

5 April 1986

DG2AYW

Jenrick 17/4.
Pl. b/ward
April CR

MR. WICKS

Bilaterals

The Prime Minister saw the Secretary of State for the Environment on 5 February and the Secretary of State for Transport on 26 February.

The Secretary of State for Trade and Industry is scheduled to come in on 14 April ✓ and the Home Secretary on 28 April. ✓

Shall I now fix something for Michael Jopling?

CR. Yes

CAROLINE RYDER
26 March 1986

C.R.

Yes, to Jopling. Speak again about visit round in mid April.

N.L.W 27.3

PERSONAL

PRIME MINISTER

MEETING WITH SECRETARY OF STATE FOR SCOTLAND

Mr Rifkind has now been Secretary of State for about three months. It is time for a talk about how he is getting on. You will have your own views on how best to "keep him on board and supportive of your policies". Some topics for the discussion might be as follows:-

i) You will want to convey to him that he has not been sent to the Scottish Office to increase public expenditure (though to be fair, Brian Unwin tells me that he has not discerned in recent weeks any particular push from the Scottish Office for extra public expenditure). The point perhaps to put to Mr Rifkind is that his task is to ensure that maximum value for money is obtained from the existing level of resources in his block and to ask him about the initiatives he has in hand for doing just that.

ii) You might ask him for his views on how the Government might maximise its political prospects. No doubt he, as the youngest member of Cabinet, may be a bit taken aback to be asked such a question. But it is worth teasing an answer out of him. If his reply is off beam, you could put him right.

iii) Mr Rifkind's office enquired recently about your ideas for the education service, and I expect that Mr Rifkind will want to raise this issue with you. He will have seen a lot of the debate about the future of education in the newspapers, and he may feel that, though an education Minister, he is somewhat left out of the discussion. He may believe that you are having "a summmit meeting" with Sir Keith Joseph in the Easter Recess. You

MJ2BSI

may want to encourage him to put forward his own ideas and to give him some of your own thoughts as you gave Geoffrey Smith today.

N.C.U.

N.L. Wicks

24 March 1986

10 DOWNING STREET

Caroline

Can ye reschedule pl

the S/Tl bilateral, now

cancelled tomorrow,

some time after Easter?

① MW.

② CR

M

BF

Rescheduled.

Fri 14 April

at 16.30 CR.

PRIME MINISTER

MS

BILATERAL WITH DEFENCE SECRETARY

You are to have a bilateral with Mr. Younger on Monday. There will no doubt be a number of general political issues which you will want to raise with him: Leyland, budget/public expenditure, Scotland.

There is the question of ministerial accommodation where you will want to explain the reasons for offering Mr. King the Admiralty House flat.

On the defence side you might touch on the following points:

(i) Secretary Weinberger. You will both have met him earlier in the day and will want to compare notes. Mr. Younger will have signed the Memorandum of Understanding on Fylingdales. It will be interesting to see whether Weinberger has any news on the timing of the US/Soviet Summit: on the likelihood of US military intervention in Nicaragua (much discussed in the American press): and on technical progress with the SDI.

(ii) Defence White Paper. This is to be taken by OD on Wednesday and there is a copy in your weekend box. It is a good clear statement although I think you will not like the essay on SDI which draws attention to the Foreign Secretary's infamous speech of last year.

(iii) Defence spending. There is much speculation in the papers about impending major problems with the Defence Budget and references in the draft White Paper to substantial problems in bringing the programme into line with the available cash. I understand from Clive Whitmore that the Defence Secretary has been kept closely in touch with the Long Term Costing exercise. You will want to probe his assessment of the problems particularly those likely to cause political problems between now and the election.

(iv) Saudi Arabia. He is very keen to maintain the link with Prince Bandar and will himself be visiting Saudi Arabia in April.

(v) Nimrod. There are no recent developments. You will want to be kept abreast of assessments of the American options.

C.D.P

Charles Powell

14 March 1986

1. CR cr Good

MR WICKS

NCW

2. CFB/Fme 24 March

BILATERAL WITH SECRETARY OF STATE FOR SCOTLAND

NCW

I have fixed this for 1715 hours on Tuesday 25 March in the House of Commons.

CR.

Caroline Ryder

13 March 1986

Not submitted

PRIME MINISTER

SECRETARY OF STATE FOR SCOTLAND

Nigel Wicks has asked me to fix various slots in the diary for you to have a general chat with members of the Cabinet. I need hardly tell you that this is proving relatively difficult.

Most unusually you have a completely free afternoon this coming Monday and Malcolm Rifkind is coming to the lunch for colleagues. It struck me that it would be a good opportunity if he stayed behind.

Agree?

C.R.

28 February 1986

MR WICKS

25 February 1986

BILATERAL WITH NICHOLAS RIDLEY

The Prime Minister might like a résumé of the live issues which Nicholas Ridley may want to raise:

BA Privatisation

The remaining anti-trust pitfalls mean that flotation this Summer is still touch-and-go. The main problem is the degree of disclosure of BA's anti-trust liability in the privatisation prospectus; the Government cannot risk being accused later of insufficient disclosure; yet the more we disclose, the more we expose BA to fresh anti-trust suits and the more we tend to devalue the proceeds from privatisation. Meanwhile, BA are still pressing ahead with their pre-flotation marketing.

The recent discovery of body cracks on the older Boeing 747s will reinforce BA's claim to be left with a sufficiently strong balance sheet to undertake an ambitious aircraft replacement programme post-privatisation. The trouble is that this will reduce the Government's proceeds.

Airline Competition

This subject is beginning to simmer again following a period of calm since the 1984 White Paper on Airline

Competition Policy. BCal are starting a fresh campaign against BA's dominant position in the market for scheduled air services; likewise, the charter airlines, led by Britannia, are worried about the potential strength of BA/British Airtours in the charter market.

Airports

So far so good on the Airports Bill, but the Prime Minister may want Nicholas Ridley's latest assessment of the possible threat from those who advocate splitting up the ownership of the London airports - supposedly as a spoiling tactic against the development of Stansted.

British Rail

The Chairman's reappointment and his objectives for the three year period starting early in 1987 are live subjects. The presumption is that the basis for the new objectives will be further steady - rather than radical - progress towards running BR on efficient business lines, with the subsidy set to continue declining in real terms.

Roads

Nicholas Ridley feels that tackling the growing strains on London's overloaded road system is a matter of priority. However, political sensitivities following the abolition of the GLC preclude bold, overt initiatives. He will probably

want to discuss what progress can sensibly be made before the Election.

Nicholas Ridley may also want to touch on his latest plans for adopting novel approaches to secure the rapid cost-effective construction of the third Dartford Crossing. The problem is that he may need a hybrid bill.

Buses

The imminent retirement of Robert Brooke from the Chairmanship of NBC is a favourable development. He is not the man vigorously to prosecute a disposal programme for 60 NBC subsidiaries. The prospect for successful management/employee buy-outs looks promising. About 20 management teams are already on the starting line and eager to go.

Progress towards deregulation of stage carriage services is satisfactory. The registration of competing unsubsidised services is due to be completed by the end of the week. The Prime Minister may want to hear how Transport Ministers intend to minimise the political fall-out in those cases where problems arise.

Docks

Nicholas Ridley will no doubt mention the state of play on the possibility of the 40 redundant Liverpool dockers

sparking an attempted national dock strike. Even if that were to happen, we believe that it would be a half-hearted flop foreshadowing the long-overdue demise of the Dock Labour Scheme.

Shipping Policy

Nicholas Ridley may regret the further postponement of his Merchant Shipping Bill. Although modest in its aims, the Bill would have furthered this Government's programme. It would certainly have been a more positive contribution to our beleaguered shipping industry than the proposed White Paper on Shipping Policy.

Docklands Light Railway

Extending the Docklands Light Railway to the centre of the city is important to the further development of Docklands - one of the Government's notable achievements. Achieving this without increasing the call on public expenditure looks like being more difficult.

JOHN WYBREW

29/2

10 DOWNING STREET

Caroline

The Chancellor would like to see the PM this week at early lunch for 10 minutes for a personal chat. Could you arrange please. Nigel

Now 11.45 tomorrow. OK. 20/2

MEA.

PC come to talk about this.
NCW. 18.2

MR. WICKS

BILATERALS

I have drawn up a table which sets out the list of Cabinet members (including the Chief Whip) together with a rough idea of how frequently we might try and book them in for bilaterals.

You will see that the most frequent bilaterals are already in the diary (viz the Foreign Secretary, Chancellor, Lord Privy Seal/Lord President/Chief Whip/Chairman). We shall however need separate meetings I think for the Lord President and the Chairman in addition to the regular Monday slots.

I calculate that this programme would mean an extra two bilaterals a week, over and above what we already schedule.

If you agree, I will ask Caroline to book slots in the diary along the lines proposed. With the other additional pressures on the diary to have emerged recently, there will have to be a good deal of "by and large" about this. We have incidentally already booked in the Home Secretary for his next bilateral on 14 March and the Secretary of State for Transport on 26 February.

We might have a word about bilaterals for the Lord Chancellor, the Energy Secretary, the Paymaster General and the Chief Secretary.

MA

(MARK ADDISON)
13 February 1986

SRWAON

BILATERALS

	Ministers	Proposed Frequency	Notes	Date of Last	Planned
	Lord President	Fortnightly	~~As part of~~ regular Monday meetings	11.2.86	
No	Lord Chancellor	~~6-monthly~~ as required	-	-	
✓	Foreign Sec	Weekly	-	5.2.86	
✓	Chanc/Ex	Weekly	-	7.2.86	
✓	Home Sec	6-weekly	-	31.1.86	
✓	S/S DES	4-monthly	-	-	
	S/S Energy	6-monthly?	-	-	
Ask CP	Defence Sec	4-monthly	Fix for March	-	
	S/S Wales	4-monthly	-	-	
✓	Ld Privy Seal	Weekly	As part of regular Monday meetings	10.2.86	
✓	S/S DHSS	4-monthly	-	-	
	Chanc/D/Lanc	~~6-weekly~~ monthly	In addition to regular Monday meetings	11.2.86	
	S/S NIO	~~4-monthly~~ as necessary if nec.	-	- (no record)	
	Min/MAFF	4-monthly	-	-	
	S/S Trans	4-monthly	-	-	

	S/S Emp	~~Weekly~~ Fortnightly	-	4.2.86
	S/S DOE	6-weekly	-	5.2.86
	Paymaster General	4-monthly ?	-	-
X	Chief Sec, HMT	~~With Ch/Ex 6-weekly?~~ as required	-	-
	S/S Scotland	6-weekly	Fix for March	-
	S/S DTI	6-weekly	- " "	-
✓	Chief Whip	Weekly	~~-~~ already ~~too~~ in diary	10.2.86

JD3AJD

Jowell
b/w to CR
towards end
of March pl.
24/3.
CR.
4/3.

BILATERALS

Ministers	Proposed Frequency	Notes
Lord President	Fortnightly	In addition to regular Monday meetings
Lord Chancellor	As required	-
Foreign Secretary	Weekly	-
Chancellor of Exchequer	Weekly	- ~~Regular for~~
Home Secretary	6-weekly 28 April.	Regular for asap after Easter.
Defence Secretary	4-monthly	Fix for March 17 March
S/S Wales	4-monthly	-
Lord Privy Seal	Weekly	As part of regular Monday meetings
S/S DHSS	4-monthly	-
Chancellor of Duchy of Lancaster	Monthly	In addition to regular Monday meetings
S/S NIO	As necessary	-
Minister of MAFF	4-monthly	- Separate after we have had Hurd See + Sec of S T+I.
S/S Transport	4-monthly	
S/S Employment	Fortnightly	-
S/S Environment	6-weekly	-

When were they due last.

S/S Scotland	6-weekly	Fix for March Monday 3 March
S/S Trade & Industry	6-weekly	Fix for March 4 April. Fri 21 March
Chief Whip	Weekly	Already in diary
S/S Education & Science	4-monthly	-
S/S Energy	6-monthly?	-
Paymaster General	4-monthly?	-
Chief Secretary, HMT	As required	-

JD3AJW

NEA,

PC spk. I thk we should weaken the list, with all Cabinet Ministers having a tête à tête every so often, even if some want 6 months.

N.L.W.
10.2

MR. WICKS

BILATERALS

We agreed that I should put to you a list of Ministers whom the Prime Minister might wish to see on a regular basis, together with the suggested frequency.

I suggest the following:

Chancellor of The Exchequer	Weekly
Foreign and Commonwealth Secretary	Weekly
Chief Whip	Weekly (his regular ½ hour slot)
Employment Secretary	Fortnightly
Environment Secretary	6 weekly
Secretary of State for Trade and Industry	6 weekly
Transport Secretary	6 weekly
Home Secretary	6 weekly
Lord President	Fortnightly
Chairman	Monthly

The Prime Minister does, of course, see the Chief Whip, Lord Privy Seal, Lord President and Chairman together every Monday for three-quarters of an hour. She has indicated she does not, therefore, need to see the Lord Privy Seal separately, though I think she would wish to have regular individual sessions with the Lord President and Chairman.

There is a good deal of arbitrariness in this list. The Secretaries of State omitted from it (eg Defence, Scotland, MAFF) could mount good cases for being treated equally to some of the others listed above. The Secretary of State for Trade and Industry, for instance, is now at the bottom of the Cabinet pecking order.

I very much doubt whether we should go any further than this list at present. However, if we wish to do so, we may as well cover the whole of the Cabinet, and avoid the possibility that Secretaries of State will start drawing invidious comparisons. We should then need to adjust programmes accordingly.

Agree that I should put these proposals to the Prime Minister?

MARK ADDISON
7 February 1986

CAJACC

cc MGR

LIST OF MINISTERS

1.	Prime Minister	The Rt Hon Margaret Thatcher MP
2.	Lord President of the Council	The Rt Hon Viscount Whitelaw
3.	Lord Chancellor	The Rt Hon Lord Hailsham of St Marylebone
4.	Secretary of State for Foreign and Commonwealth Affairs	The Rt Hon Sir Geoffrey Howe QC M
5.	Chancellor of the Exchequer	The Rt Hon Nigel Lawson MP
6.	Secretary of State for the Home Department	The Rt Hon Douglas Hurd MP
7.	Secretary of State for Education and Science	The Rt Hon Sir Keith Joseph MP
8.	Secretary of State for Energy	The Rt Hon Peter Walker MP
9.	Secretary of State for Defence	The Rt Hon George Younger MP
10.	Secretary of State for Wales	The Rt Hon Nicholas Edwards MP
11.	Lord Privy Seal	The Rt Hon John Biffen MP
12.	Secretary of State for Social Services	The Rt Hon Norman Fowler MP
13.	Chancellor of the Duchy of Lancaster	The Rt Hon Norman Tebbit MP
14.	Secretary of State for Northern Ireland	The Rt Hon Tom King MP
15.	Minister of Agriculture, Fisheries and Food	The Rt Hon Michael Jopling MP
16.	Secretary of State for Transport	The Rt Hon Nicholas Ridley MP
17.	Secretary of State for Employment	The Rt Hon Lord Young of Graffham
18.	Secretary of State for the Environment	The Rt Hon Kenneth Baker MP
19.	Paymaster General	The Rt Hon Kenneth Clarke QC MP
20.	Chief Secretary, Treasury	The Rt Hon John MacGregor MP
21.	Secretary of State for Scotland	The Rt Hon Malcolm Rifkind MP
22.	Secretary of State for Trade and Industry	The Rt Hon Paul Channon MP
23	Chief Whip	

Subject cc Master

FILE

Rt Aldwin
PC sec ovs at Xfs
N.L.W.

10 DOWNING STREET

From the Principal Private Secretary 6.2.

6 February 1986

BILATERAL WITH THE SECRETARY OF STATE

The Prime Minister had an hour's discussion on the evening of 5 February with your Secretary of State. The main issues discussed were as follows:

Rates

The Prime Minister congratulated your Secretary of State on his handling of the Rates Green Paper. The Labour Opposition looked to be on the run because they had committed themselves to a capital revaluation. The Secretary of State said that problems would arise during the consultations on the position of students, pensioner couples and business ratepayers in the South. But these should be containable by discussion and negotiation. The Prime Minister emphasised that, though the Paper was Green, it was White so far as its main spokes were concerned.

Water

The Prime Minister said that the Secretary of State's statement that afternoon on water privatisation had been good and robust. It deserved its good reception from the Government backbenches. The Secretary of State said that they hoped for legislation next session, with the first privatisation in the autumn of 1987.

Inner Cities

The Secretary of State said that he had plans for an initiative with the building societies and the construction companies for inner city renewal. Any legislation necessary, for example on short-term tenancies for improved properties, could be included in the Housing and Planning Bill. In answer to a question from the Prime Minister about the Department of Employment's wish for closer co-ordination on the use of DOE money, the Secretary of State said that his Department could not commit local authorities' use of this money. He wished to hold back £50 million of his programme in order to persuade local authorities to privatise large estates. Nor could Derelict Land Grant be

deployed in the cities in which the Department of Employment were interested because there was not much derelict land in those areas. Urban Development Grant required the test of conditionality and Urban Programme money had already been allocated.

The Secretary of State then described some of the Department's initiatives in inner cities, which had not yet received the credit which they deserved. He urged the Prime Minister, during a regional visit, to visit a DOE sponsored scheme such as the Leeds Pottery Initiative. The Prime Minister asked the Secretary of State to ensure that the Chancellor of the Duchy of Lancaster was well briefed about the Department's work in inner cities.

N. L. Wicks

Robin Young, Esq.,
Department of the Environment.

Prime Minister

These are the topics which are apparently in K. B's mind.

N.C.J.

PRIME MINISTER

4 February 1986

4.2

BRIEFING FOR MEETING WITH

SECRETARY OF STATE FOR THE ENVIRONMENT

You may wish to raise the following issues with the Secretary of State.

1. Reaction to the Rates Green Paper

Reaction has not been as hysterical as might have been feared. Kenneth Baker's Statement in the House went surprisingly well. But we must not relax now.

Comments are needed by 31 July. You could press Kenneth Baker to keep up the propaganda offensive. He should keep in close touch with Tory councils whilst they consider their replies to the Green Paper.

2. The RSG Settlement for 1986/7

The provisional July settlement showed rates rises of 5% in the Shires and 7½% in London if authorities held to this year's real level of spending. The final package had an 8% increase in the Shires and 1% cut in London. The DoE mechanisms are like a badly calibrated shower - you start off freezing; wrench the controls; and end up scalding. You could emphasise your concern to Kenneth Baker and ask what changes he could introduce next year.

3. Inner Cities

The Lord Young show on the Inner Cities is way off course and is the sort of window dressing, led by civil servants, that is likely to prove a pointless exercise. It seems that Kenneth Baker is paddling his own canoe. It might be useful to have him giving his view on the state of play on this subject.

4. **Nuclear Waste**

The Environment Select Committee is soon likely to criticise the Government for continuing failure to grasp the nettle and nominate sites for NIREX to dispose of low-level nuclear waste. H Committee recently failed to reconcile the political and technical factors, and later this week will be making a fresh attempt. Four options are on the table. Kenneth Baker will probably want to sound you out on the two which are likely to come closest to reconciling the factors - either four inland sites, or two inland and two coastal.

We need a firm decision, and we need to treat the environmental risks rationally rather than emotionally.

5. **Green Belt**

This is still the most sensitive environmental issue and we are totally dissatisfied with the way in which public sector unused land is being dispersed. We repeat that, at the present rate of disposal, the register of unused public land will be in existence for 100 years. Kenneth Baker should have a bomb put under him to dispose of all this land by auction within the next year.

6. **Water Privatisation**

The Water Privatisation White Paper will be published shortly. Legislation will be introduced in 1986/7 to allow the first privatisations in late 1987. The White Paper is well written and you may like to congratulate Kenneth Baker on the work he and John Patten and his officials have done.

Objections will come from one or two water authorities, from the already-private water companies, from conservation groups and fishing interests. The White Paper deals thoroughly with these potential objections.

Support will come from the more go-ahead water authorities (eg Thames, who, under the dynamic Roy Watts, want to be the first in private ownership).

You may like to ask Kenneth Baker to reassure you that the water authorities, which will be very strictly regulated under the White Paper's proposals, will be healthily saleable. He should have had some feedback from the City on this by now.

7. Housing Policy

You may ask the direction in which John Patten expects housing policy to develop when the sale of council houses/flats will have lost momentum.

BG

BRIAN GRIFFITHS

CF

Pile please.

MEA

MR. WICKS

BILATERALS

We are going though the forward diary, marking in the "stock elements" - questions, meeting with colleagues on Mondays etc. We need to consider our approach to bilaterals, in the light of your earlier minutes to the Prime Minister.

We shall of course continue to mark in weekly bilaterals with the Chancellor and the Foreign Secretary. We also mark in a weekly slot for the Chief Whip on Mondays, which is followed by a three-quarter hour meeting including the Chief Whip, Lord Privy Seal, Lord President and Chairman, followed by lunch for colleagues.

You will wish to refresh your memory by looking at the papers on the file, but I do not think we can justify allocating regular weekly slots to any other Ministers. We do, however, have the following Ministers in the diary on a reasonably regular basis: Home Secretary, Secretary of State for Trade and Industry, Secretary of State for the Environment, Secretary of State for Transport. I propose that we should identify one slot every week into which we would fit one of these Ministers, which would on average mean that they had a bilateral once a month.

Agree?

MEA

MARK ADDISON
22 January 1986

CAJABP

NOTE FOR TOP OF FILE

10 DOWNING STREET

NB

Separate Files already exist for the PM's meetings with the following:

Foreign & Commonwealth Secretary;

Chancellor of the Exchequer;

Home Secretary;

Regular Monday meetings Lord President, etc;

RTA.

Lord Young

85/DOC

JB

4.1.86

CF.

Pl arrange for me to be reminded 2 days before XXX. And 14 days before Y

MR. WICKS

BILATERALS

I have arranged the following bilaterals as you requested:

N.L.W. 24.12

20 January

X 1500 1530 Mr. Brittan (NB date change) time?

5 February

X 1800 Mr. Baker

12 March

X 1800 Mr. Ridley

I said that you would be contacting the appropriate PPS a few days before the meeting to discuss an agenda. I stressed that the meetings did not provide an opportunity for Secretaries of State to slip decisions through where they were having difficulties with colleagues.

Y I have, as you suggested, left a provisional slot in the diary for the Home Secretary on 26 February, but I have taken no steps to set this up.

MEA

24 December 1985 MARK ADDISON

M. Adams
PC spk before you telephone

PRIME MINISTER cc. Mr. Alison

N.L.W.
20.12

As you know, I believe it would be useful to repeat with certain other colleagues the sort of talk that you had yesterday with Mr. Hurd. For this purpose I therefore have set aside provisionally five one hour slots around 6 p.m. in the diary in the first quarter of 1986.

If you agree, whom should you see?

- Good chat
- Saying NW a day or two
- Next an opportunity to step things

I suggest:

15 January	Mr. Brittan ✓	to be invited
22 January	Mr. Biffen	I see him every Monday
5 February	Mr. Baker ✓	copied.
26 February	*Mr. Hurd	bf 16/2.
12 March	Mr. Ridley ✓	copied.

*You suggested to him yesterday that you meet every, say, six weeks.

Are you content with these names?

Or would you like to suggest others? Ministers with whom you do not have regular bilaterals are listed at annex.

N.L.W.

(N.L. Wicks)

17 December 1985

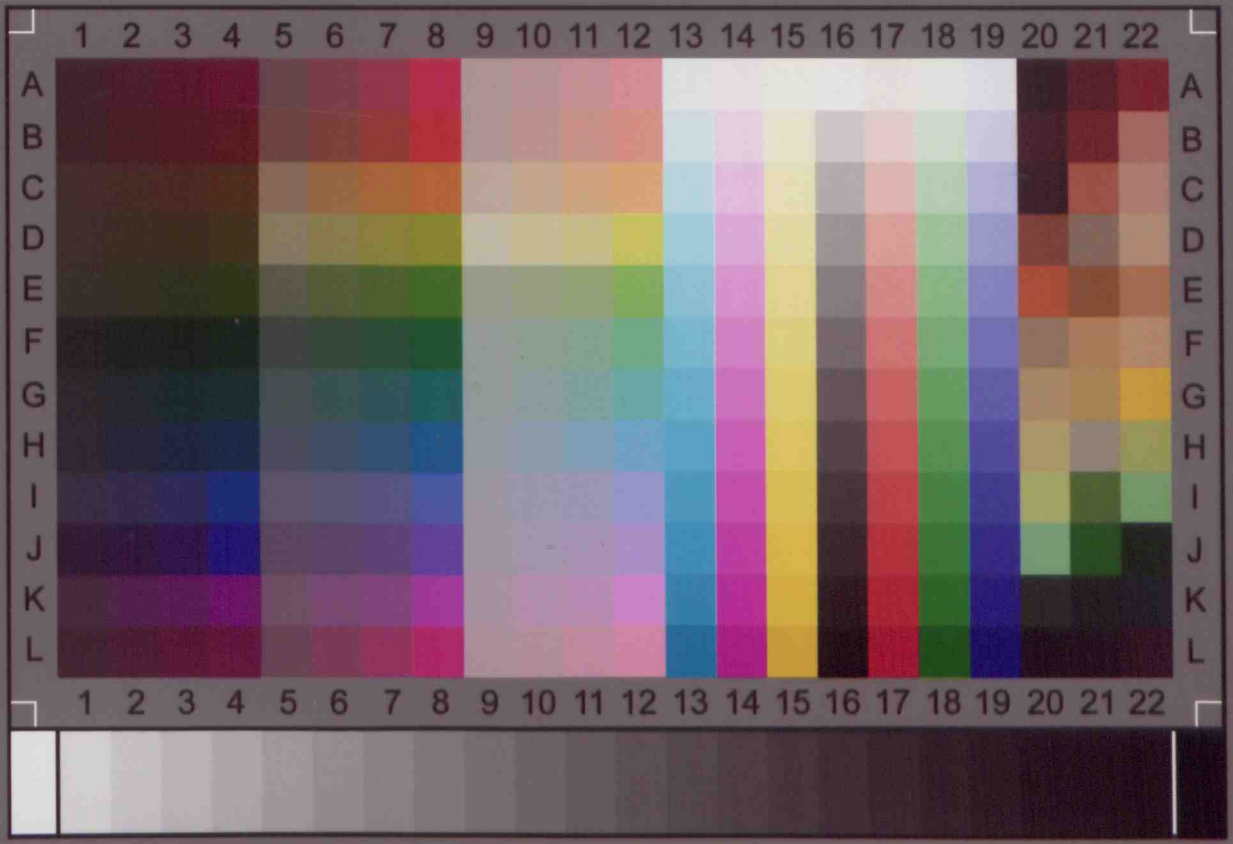
Annex

Senior Ministers with whom you do not have regular bilaterals

Lord Hailsham
Mr. Brittan
Mr. Hurd
Sir Keith Joseph
Mr. Walker
Mr. Heseltine
Mr. Younger
Mr. Edwards
Mr. Fowler
Mr. King
Mr. Jopling
Mr. Ridley
Mr. Baker
Mr. Clarke
Mr. MacGregor

Ministers with whom you have regular bilaterals

Lord Whitelaw
Sir Geoffrey Howe
Mr. Lawson
Mr. Tebbit
Lord Young
Mr. Wakeham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