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SECRET

VII

SHADOW CABINET CONFERENCE

Note of Seventh Session held at Selsdon
Park Hotel, Surrey, on Sunday,
1st February 1970, at 9.30 a.m.

Present: Mr. Heath (In the Chair)

Mr. Maudling

Sir Alec Douglas-Home, Mr. Macleod,
Mr. Hogg, Sir Keith Joseph, Mr. Godber,
Mr. Barber, Mr. Rippon, Mr. Walker,
Mr. Carr, Mrs. Thatcher, Lord Balniel,
Mr. Campbell, Lord Jellicoe

Sir Peter Rawlinson, Mr. Whitelaw,
Sir Gilmour Menzies Anderson, Sir Michael
Fraser, Mr. Gibson-Watt, Mr. Pym,
Mr. Webster, Mr. Kernohan, Mr. Sewill,
Mr. Tucker, Mr. Hurd, Mr. Wolff

Mr. Douglas, Mr. Hayhoe (Secretaries)

Note on Shadow Cabinet Conference at Selsdon Park Hotel, Sunday, 1st February 1970, Sixth Session at 9.30 a.m.

Heath: Iain would like word about East of Suez.

Macleod: would like to raise question as to whether we really are wise not to try and put a price tag on it. In general when we are discussing £800 m deficit I believe best way is not to try and explain but produce a counter figure of around £2000 m debt. Nothing will stop Healey saying £300 m and all we are ineffect saying is that it is a good deal less. Think there is a lot to be said, for Geoffrey rather than Ted, some time saying something not too precise, cannot be exact about these matters and probably about one quarter of what Healey estimates although precise details have to be filled in with agreement between other governments, and then candidates can pick it up. Not a statement of policy, but a counter figure, and one vastly nearer the truth than Healey's. Small feeling this argument may go by default and £300 million figure get embedded in people's minds unless we produce counter figure.

Heath: have had a word about this. Reason why we do not spell it out, thought we would get longer term involved in argument whether right to have two batallions and two squadrons, and whole thing get bogged down with that line. Talk to Geoffrey again about it because we shall have to in defence debate. Think we can have counter attack on Healey. Was question by whether it was £100 m. Healey's philosophy at the moment, by saying ours would be £300 m - Forces at moment costs about £240 m. Even accusing us of spending more than them on a five-power force than on the whole of the British force. Would like first of all to check what Australians, Singapore and Malaysians spending on theirs.

Rippon: did ~~xxxxxxx~~ seem defence debate was best opportunity to say something and build up to £100 m figure by attacking Healey's figures. He says cost of keeping aircraft carrier in Far East is £70 m, but that includes all costs on the assumption that if it were not in the Far East it would not be at all. On basis of last year's costs it would be between £18-20 m. On that assumption and assumption we have two squadrons, and contribution to Commonwealth force, people will begin to ask if figure is about £100 million.

Barber: don't think people in constituencies are thinking that. If it were possible to say something, think it would be great help. Certainly people do not know answer, and everybody in authority knows it.

Campbell: great danger of it being built up as a myth. This figure was produced two or three years ago as a calaculation of what it was costing at height of confrontation. Ridiculous. If someone goes back through defence debates think we could make him look ridiculous. Don't want to get this built in.

Rippon: Financial Times asked for Opposition viewpoint but think it would be better to do it in defence debate.

Macleod: sure you can win argument in the House. But candidates not wildly up-to-date in these matters, hammered by figure all the time, why I think we should have counter figure.

Jellicoe: think there is another danger. Think in public mind in is £300 m across exchanges [?]

Walker: thought that among younger voters it would still be unpopular. They want to get rid of our military past. All in favour, but do wish we could get over positive figures of advantage. Two figures you gave, residual £100 m and £300 m - think if we could get over this was an investment - got to get over positive figures rather than cost of military presence.

Home: dangerous to be precise about £100 m. Think you can attack Healey's figures and bring it down to something which won't look too alarming, but I should like to more costs done before we commit ourselves. Geoffrey done quite a lot. Professor Erikson in Edinburgh University offered to help us. Suspect that £100 m will catch us out later on. Thing that worries me more about East of Suez is necessity of defining, although terribly difficult to do, as limit of commitment. If you have presence on land you do not start a Vietnam. Enoch is on to this and others will get on to it. Could happen that you have to define function of Commonwealth force - without depressing your allies. This I think is real problem.

Joseph: is there gap between Healey's obligation, saying that they can be flown out, and our small force already there?

Home: under Malaya Treaty as it is now, we are pledged to defend them, but in our talks have to define our force. Unfair to them to think there will be unlimited reinforcements.

Rippon: think they feel that visible presence is more helpful than general commitment to fly something out in an emergency.

Home: Communist force outside Malaya been built up ~~to~~ from 500-1500 and could amount to some size, and we would have to work out how far we could go on reinforcing.

Rippon: Trade commission [?] in Thailand.

Maudling: Commonwealth forces welcome visible force because they feel it would be reinforced and not withdrawn.

Home: great deal of difference between land force in training mission and supporting it from sea and air and putting number of units on ground which you can reinforce.

Barber: two points: there does seem evidence that Labour Party are encouraging speakers to make the point that those people with votes at 18 had better watch out with the Tories because they will get them into a Vietnam situation in the Far East. On question of £300 m, what worries me is same as Iain - makes our whole policy of controlling expenditure less credible. Some time I think we have to have simple answer to this.

Hogg: we can up to a point define the definition - say we do not propose getting into a Vietnam situation because we only intend using regular troops and do not intend to get involved in counter guerrilla activities. Think Iain right - that approximate figure of one-third of Healey's calculation and one tenth of exchanges would be good because it makes budgetary policy credible. What is damaging is not Healey's actual figure as our unrespectability in the light of budgetary policy, to put ceiling of some kind, because it looks as though we have not done our sums. Makes it more credible.

Rippon: think we could do it by saying it is ceiling of £100 m if components add up to something of that order. People can do it for themselves. Healey's £170 million for carrier so vulnerable.

Hogg: it is extra cost of keeping regular army and not total cost of maintaining them somewhere.

Rippon: it is a completely artificial figure. What is relevant to Iain in due course is what is total defence budget.

Home: argument will shift, which is better for us. Healey will then say what are you including in this. Then shifts to how much you count aircraft carrier in, NATO force, etc. Hope we will not put ceiling of £100 m, and when Quintin says regular forces will not engage in guerrilla warfare . .

Hogg: I said we would not like to involve ourselves in main guerrilla attacks. But if they are involved this is inevitable.

Home: but this is what Treaty is for - to assist Malaysians.

Maudling: don't see this helps your friends.

Godber: do we have to define it?

Home: Malays and Singapores are quite clear.

Rippon: have said we have no intention of keeping land forces on anything like the scale of confrontation.

Maudling: if you put limits on you are admitting you will not reinforce our chaps.

Rippon: have accepted we would if we had to.

Heath: way to do this is to deny there is any connection between this and Vietnam which Labour and Enoch are trying to introduce as a scape. What we are doing is quite different from American position in Vietnam. Real trouble with Kennedy was that he took Macmillan's advice . . . Malaya and Singapore position idifferent - next door to Thailand, and Americans going to stay there, independence can be maintained. Real purpose of force is to prevent subversive forces in Southern Thailand disrupting Malaya.

Really is different position than Vietnam. Think we have to challenge them on this: threat is different; force is different; and we go about it in different way. Because Americans have made a mess in Vietnam, no reason why we cannot do our job, which we know we can do and everybody knows we can. But from point of view of defining it with Malaysia and Singapore, what ones I have talked to accept we are not there to carry out war but to deal with subversion.

Godber: present Government has commitment but not going to retain force.

Heath: this is where we can ask Government what is this "right availability".

Rippon: have said they have halved commitment. What they have done is halved capability of fulfilling it.

Heath: question was in Bristol speech.

Walker: in present Australian climate great advantage to press our future relationships with Australia.

Joseph: presentationally, is there any chance of bringing in United Nations here?

Macleod: quite simply, this is a British interest and Tory Party always prepared to pay a certain amount.

Rippon: no point in relying on them.

Home: did not think distinction between this situation and Vietnam was quite so clear cut as Ted suggests. Thailand might collapse and then pressure would be much more on Malaysia than now, and unless they understand our real limits, we might be drawn in through increasing support.

Hogg: we are only talking about election pledge - if Thailand collapsed it would be new situation and new policy would be necessary. Only necessary to define our present intentions and present position.

Home: Enoch was on this line and was about it at Foreign Affairs Committee. So we have to be aware. Have to fluff figure some way in way that Iain wants.

Maudling: can't really argue that collapse of Thailand is something . . .

Hogg: not concerned with troops on ground but what we put in Manifesto. Although you must have contingency planning in military planning, it is not necessary for election planning. Only want to say this is our policy as of now. Can imagine thousands of things which would double our defence budget overnight, and do not put them in our election programme.

Heath: still no further. Page 7 of Manifesto. Shall obviously have to deal with number of issues. We have dealt with Industrial Relations. Want to get to Competitive Free Enterprise and tie up with controlling prices. Between that manpower and training - did come out with a fairly detailed programme for this. Say there ought to be total training programme of 100,000 a year. Now Iain and others been doubtful about this. Think myself it is major thing facing this country.

Even at this moment with 600,000 unemployed some industries still can't get people. If Iain is right about we do this and expenditure involved in it - Barney and Brian Reading and have it tied up with educational side and training boards. Need to look at this little complex again. How we are going to achieve training we will require, and discuss in detail this but ~~xxxxxx~~ have word with Robert, Keith and Margaret, and whether reserves [?] good from Training Centres, Boards, present education system, and how to get crash programme with available resources. Can say increase in productivity will pay for it.

Maudling: Robert has report.

Carr: encouraging in general analysis as to what needs to be done. Margaret and Keith certainly this question of training and education, and brings out use of existing facilities. Don't know what Keith and Margaret think, but don't think there is very big public expenditure here. Not proposing an enormous expansion of Government Training Centres. Whatever one may say about present Training Boards system, it is not very heavy on its call on the Exchequer because it is an industrial operation.

Joseph: will be some, but not mammoth.

Heath: other aspect - considerable political kudos to be gained in knocking nonsense out of Industrial Training Boards.

Carr: much easier said than done. Some batch water but also a baby. One must not throw out the baby.

Heath: that is why we want indication. There is real, to some extent, of each industrialist you go to. Take present row in constructional industry. Uproar from small companies. Think lot could be done by raising exemption limits. Other people in industry have passionate objections and standing up for present system. Whatever we do about reforming Industrial Training Boards, ought to do it by environment we create rather than industrial war [?].

Joseph: grant hunting going on on large scale.

Godber: have got means within themselves if employers' representatives on Boards would tackle problems. They can solve them. Keep telling people it is their own fault. Always say don't want ourselves to get involved. Would change - on page 7 - "interest" to "stimulate".

Barber: didn't see any significant advantage in giving figure.

Carr: was necessary to focus attention in the first place. But difficult to define. I must what you mean objection to 100,000. It served its purpose in getting commitment launched but think we want to drop it now.

Heath. All right. Can we have little look. Michael to organise.

Carr: have group on it.

Controlling Prices

Maudling: very good paper. Points out good lines for us to follow. Am concerned that this is one of the gaps in our policy at the moment. Have to be careful how we handle. One of biggest problems for us and other countries. Rise is equivalent to difference in purchasing power of £2-3 billions. We shall be pressed as to how we are going to handle this. Demand management and forces of competition will not be the answer. Building industry heavily squeezed, still handing ~~industry~~ out big wage increases. Demand management will mean squeeze getting tighter and tighter. Argument against statutory control of incomes. We are left with little to say about what we are doing. Have not got a simple answer. Think this paper goes as far as one can at the moment. Is going to be very big gap to fill in our policy.

Barber: can it be filled?

Maudling: no.

Barber: agreed but did not think there was much to be said. If we maintained statutory control and only used our control over the public sector to limit expenditure - frankly don't think there is anything more we can do about demand management.

Heath: is composite of policies (Joseph: hear,hear) Been talking about training. If we had trained men in the right place would not have trade union monopoly. Employers will be prepared to spend if they know chaps won't strike [?] Never talked about this in public, perhaps we ought to. Point of industrial relations changes is to redress the balance between employer and employee. Up to 1939 balance was on side of employer; after 1945 was on the side of the unions and still on side of unions. Can argue as more intelligent labour, they have never expected it to fall and now clear indications they will. Only way is redressing balance between employers and employees.

Come more and more to the conclusion we should say we are going to look after Government sector, our responsibility. But is responsibility of private sector to deal with their own wage negotiations and no point in them coming to us saying why don't we do something. Throw it back to them. If you don't like wages going up don't put them up.

Thatcher: they will.

Maudling: bargaining can't be fair . . . would be diffident about saying our trade union policy was to reduce bargaining power.

Rippon: public don't really believe yet there is any clear distinction between Conservative and Socialist economic philosophy, and unless we take your view saying there is certain things Government should do, and industry's job to manage the rest we shall never make it clear. Would like to say we will repeal Industrial Reorganisation Act, not mess around with it. In so far as Barber right in saying back to Selwyn Lloyd position with nurses and teachers, all we did ~~say~~ was mismanage our part of the equation and listened to Enoch's argument about not paying nurses more because of the black girls.

Joseph: sure it is absolutely right. On building industry it was 27 months agreement but employers have given way because big contractors can pass on prices. All stems from the quarrel with Boyd-Carpenter. Got to reform way in which cost increases are passed on in prices. New point I want to make: principal component of rising wages is expectation of price increases and biggest contributor is Government. This Government, by levying indirect taxes, gives public impression prices will go up. We are going to fall into that with VAT, decimilisation, that is why if we can should give them counter expectations. VAT is going to add.

Rabana -
Castle

Thatcher: car industry as well. There is competition in the industry, but they all put them up. Will still go on going up.

Maudling: unions pick on one person and say we will break you unless.

Carr: problem at the moment of cars coming in from overseas are not cheaper. But whereas I agree with ~~you~~ Reggie about operation of market in relation to supply of labour, only thing we have hope of doing is through operation of competition policy of widest kind. Government is an enormous sector. You don't expect great companies like Unilever . . . Government and their Departments put up 5 per cent of price [?] So that is one aspect. Other aspect is not just holding down wages. Wage and salary levels in this country are not uncompetitively high. In some respects uncompetitively low. Not going to get prices down by sitting on them. Better to employ fewer people better paid, than more lowly paid. Don't think we will achieve this by sitting on wage demands.

Heath: other side of coin with which I am in agreement, employers have to be free to introduce new plant and get rid of men; and all pressure of increased wages is to make them more efficient. Trouble at the moment, they cannot get rid of the men. Trouble with the steel industry, in Wales, etc.

Carr: this is where we get back to retraining. May well be money should be put in Training Centres but not in Training Boards. Think we shall have to replace redundancy scheme with something different. If we are going to move people about have got to . . .

Heath: just can't see regional policy producing answer in foreseeable time. E.g. West Cumberland - go on paying unemployment benefit to people there, paying industry to go there. Thames Board have largest mill in Europe, employs 207 men, which is only a tenth of the people going out of one mine.

They live in houses which most of them are buying on mortgage; would'nt it really be more sensible to say jobs are in Yorkshire, we will buy your houses when you move out, put up new houses for you, retrain you. Seems to me positive constructive intervention.

Carr: this is where public money should be spent. Housing is more difficult obstacle than retraining. Think when we come to look at this, housing machinery

Report to Michael about Scotland, very impressed by potentiality of SSHA. Never do this via local authorities. No good giving them more money to build houses. Always puts them in impossible situation. Got to go into area and build houses clearly independent of local side. If you give it to local authority they will only give them to people who are already there. They feel it is essential part of housing policy.

Maudling: didn't see how Iain would get savings if people see value of money dropping so quickly.

Macleod: agreed with Reggie analysis. None of the methods once thought to be certain cures - unemployment, etc. - also agree with Ted, our answers are not politics. True they will take time. In the meantime we rely on arm twisting and standing firm in public sector. Will no doubt never again find an occasion such as the London bus strike, but there will be an opportunity. If we can do 1 or 2 per cent better than our competitors - it is this that really matters. Think this is short term answer in so far as there is one.

Maudling: agree and think this is line Peter takes. Difficult to know what to say during election - can't talk about picking right moment to stand fast.

Macleod: say we are biggest employer and biggest customer.

Carr: mustn't make stand on nurses and teachers. Political effect disastrous. 25 per cent of people in this country in public sector, and by and large we set an appalling example. We employ people grossly extravagantly. Nurses and teachers don't have proper salary structures - fixed amount of and over employment.

Thatcher: if we do stand pat - please do it on unskilled and not on skilled, e.g. nurses quality of teachers. There isn't scope for increasing teachers' productivity unless you are prepared to spend money on mechanical aids.

Heath: even the dustmen are popular. Real point is do we want a Competition Commission.

Carr: still bothered by this question of strikes. Shall have to face this, both because of our industrial relations reform, certainly because we need someone in major sector to take a strike and not wilt. Does involve contingency planning.

Heath: better not to talk about it. Even Cabinets don't.

Joseph: doesn't have to have that name but hope colleagues will feel it would be useful. Like BC, CIF, but would identify obstacles to competition and try to remove them.

Godber: can't we try coherent Neddy. Did give us some line to resist trade union demands. Had guiding light and neither employers nor workers liked to go far beyond it. Think it would be better to . . .

Rippon: people want us to get rid of . . . public sector does not make any sense unless we make stand. To announce Competition Commission is height of lunacy.

Barber: in terms of presentation agree with Geoffrey. Might have to change name. But will have to have a body which proscribes against restrictive trade practices. Question is whether to leave them as they are or try to improve them.

Joseph: Competition Commission is our version of a reformed Monopolies Commission. The Government are rolling PIB and Monopolies Commission into CIF. This is our version of one body to inquire into monopoly practices, including the practices of labour, nationalised industries; only just had this paper and there are important points in it which I would take issue with, but principle of it I feel strongly in support.

Maudling: feel it is too early, but needs working up as a Sub Committee.

Rippon: something like Restrictive Practices Court . . . quite right that law should prevent people wrecking the market.

Walker: in context, going to lay emphasis far more on getting new atmosphere by taxation. In reality, so much of British management does not care less about profit, it does not want ~~Government~~ strikes at any cost, does not want to put men off; getting no men [?] wanting to make £25-30,000. Want to concentrate on getting atmosphere synonymous.

Heath referred to Selsdon Park Hotel reducing staff from 300-200 and turning loss into profit.

Walker: biggest window producers in the world increased their staff by 40 per cent and reduced business by 30 per cent.

Maudling: people say look what happened to Rootes when they stood up to them.

Carr: many areas where if you have got determined management you can get management policy, in spite of present lack of industrial relations law, in spite of taxation and everything else, if you can encourage it a bit more - only way you can do it - if you can encourage competition . . .

Hogg: won't get on without management sacking rather ruthlessly, without getting industrial come-back. Until you get to situation where an employer in strike situation is compensated somehow ~~are~~ are you going to get anywhere. Hear this so often. Until management is able to sack without facing a ruinous strike situation we will go round and round mulberry bush.

Thatcher: tried it in docks.

Carr: if majority of industry would make substantial reductions in labour, without strikes more and more people would be encouraged to do it. Must not have our thinking governed by docks and motor industry.

Heath: then Reggie you will look after working out of this. Monopolies you have ~~to~~ to have commission I am sure. Not a fair body at the moment. Nevertheless you have to have it. These people really mucked everything about by gimmicky stuff. Do hope we get away from that and in some ways would like to go back to Monopolies Commission and give it powers over trade unions.

Carr and Joseph agreed.

Joseph: big thing on page 8 - Overseas Investments. Can we put in a sentence saying that we shall move towards free overseas ~~non convertible~~ investment, more important in invisibles and world trade.

Barber: if it comes out just before Polling Day, will it help?

Joseph: all right, in light of Maudling would not be sufficiently up with argument. Can I come back to it.

Heath: yes, draft.

Rippon: can we repeal Industrial Reorganisation Act?

Joseph: would like to keep it until we get new climate. Going to clip Villiers' wings.

Campbell: page 9, could order of mention be changed, the North-East and Scotland at the end.

Balnel: thought we opposed Industrial Redevelopment Bill. Why don't we repeal it.

Joseph: did do few useful things.

Rippon: oh.

Joseph: city do feel it does.

Macleod: let's have more drastic statement - "We will drastically modify.

Joseph: does do some good.

Carr: appalled by it. Agree it did do some useful work. You do find some log jams which have to be broken. Faced with fact that public money, high powered money, going round looking for a job to do. Tony gave us an example.

Joseph: all of this is true, but just occasionally . .

Maudling: when Grierson ran it, money put in came out in a few years. Think we should clip its wings. Know plenty of examples in practice where useful mergers which couldn't be carried out by merchant banks; by IRC coming in does speed up things.

Barber: isn't basic problem that even ~~with~~ when Ronnie Grierson was in charge, he was still using public money.

Joseph: could replace it by private money.

Barber: couldn't we consider taking away all the finance except for administration and retaining advisory function in a Government department, i.e. get rid of . .

Heath: private money would be denationalising it.

Walker: if IRC pressing for merger, all the monopoly side is dropped. Surely this is only reason it is being used.

Heath: discussed this many time in past and think now we had better have a paper. Could have city based

organisation doing this job. Merchant banks don't want to do it.

Maudling: Iain and I think of each other's . . . finance.

Hogg: for many years said monopoly operated against . . . Entirely contrary to facts of life. And thereby we invented the machinery to get rid of our own mergers.

Heath: this Government in Opposition gave impression they were opposed to mergers, not on monopoly but other grounds. Not been able to carry that through since.

Think we stand so far as monopoly concerned. . . e.g. IPC/ Reeds. To what extent does this increase share of paper market, newspaper market? Answer: does not enlarge it at all. Matter for your shareholders, not for him.

Agriculture

Heath: agreed

Godber: may I make one point in reference to horticulture, fisheries, forestry - want something in on these.

Heath: draft something suitable and inexpensive.

Campbell: middle of page 9.

Heath: yes, we will get your phrasing right. Correct formula: Scotland, Wales and the regions.

Housing

Heath: do you want to put rents up.

Macleod: is it possible to calculate, even in revised terms, how Exchequer emerges from Housing proposals. Got to have some big politics to explain moving downwards. Otherwise our proposals are whistling in the wind. Housing is a . . . that we look to to decrease, because we are going to eliminate housing subsidy for slums £230 m, might save £100 m out of it. Other proposals in this paper seem to increase. Can we make net assumption.

Walker: most of the proposals are very minor in terms of expenditure. £160 m going into housing accounts of local housing authorities. Also got total loan sanction. Present council house programme £800 m going each year in loans. Want to shift from council housing to owner occupation, but to do this one must have mortgage facilities either through building societies or through local authorities for older properties. So one major shift is to take £200 m for building council houses to go to local authorities for mortgages. In terms of changes of subsidy, context of all this subsidy which is built into housing accounts because they are all in at cost. Reason why people only pay 35s. a week rent, small subsidy from Government and ratepayer, but because it is in books at £500 or whatever it was built for. What I want is fair in both public and private sector. Until they are similar,

you will always get people with that the moment you make rents fair, their housing cannot still show a substantial profit, because houses will be on housing cost, and as rent goes up, provided that housing account will do great deal to bring ~~out~~ down total Exchequer cost because that money could be used for private [?] sector which gave fair rents. What I want is re-channelling. Almost impossible to do calculations on this. Will involve major negotiations with local authorities.

This would be a policy taking 5-6 years to complete. But you would have sensible rent structure. Given a choice they will go into owner occupation; but with subsidised rent they will always stay subsidised.

Balnel: question not about fair rents - do have reservations about this. Think you have interesting and ingenious formula which leaves you to do what you want. But you are renegotiating subsidies to concentrate them on to individual families. Are you thinking of setting up a draft rent rebate system which all local authorities will have to adopt, or will they have individual rent rebate systems?

Walker: if you are tackling this sensibly you have to have national policy. Glasgow example. If you are going to break through on housing, you have to have this policy.

Barber: are you having local authorities run rent rebate system rather than Government?

Walker: personally would like to leave it to local authorities.

Maudling: one big problem. If you can move to fair rents system in private sector, when would you really have to make up your mind.

Walker: you can use the formula with Keith's regional policy: giving local authority to take lease on on private house in order that they can take it into rebate scheme.

Joseph: only big city . .

Maudling: don't like idea at all.

Joseph: there is a slight problem for Iain - about 37 per cent of . . . I agree with everything Peter says.

Barber: does tie up with family allowances. Both problems. These people are short of cash. Ought to amalgamate your system of housing subsidies with family allowances.

Walker: all right at the present time but . .

Barber: Keith is right. Writing to Observer today. E.g. Camden - you have to have income of £47 a week to meet rent on economic terms.

Jelicoe: are you moving towards system of subsidising chap rather than house?

Thatcher: hope not.

Heath: no, no. In public sector you always are. Is combination of both. Rent is fixed on historic basis.

Campbell: agree with him in principle. Is even more attractive because local authorities themselves being re-organised during this period. Also agree with Rippon. If we could get them to accept some form of means test, think it would be possible. In renegotiating subsidies, what method would be used. System of local government changing and at present subsidising interest rate. Different if that were possible. Wonder if it would need legislation.

Walker: difference between what they are collecting in fair rents and total demands out of housing account on national rebate scheme. Many local authorities will have surplus. Large stock of older houses will be in surplus and . . . new houses.

Maudling: private field enormously important, particularly in big cities. Want to go over to fair rents but don't want to go over to subsidy to private tenant. Think it sounds like municipalisation which our own people are not in favour of.

Walker: certainly hope you get fair rents in public and private - must be in interest of the government of the day to give it in private sector.

Carr: this once more means means testing.

Heath: also means setting up inspectorate to see proper conditions. Local authorities will say, if we are going to do this, why not take it over.

Walker: we said they would have nothing to do with it. About 40 per cent are old age pensioners.

Thatcher: surely 30 per cent council houses is enough for people unable to afford accommodation. Ought to give priority in new housing to those who cannot afford it.

Joseph: that is why we suggest municipal rents for people in private houses when rents beyond their means; it is just to get over this problem.

Thatcher: why can't old age pensioner ask for his house to be bought.

Walker: where you have problem like this, and it is advantage to keep tenant in house rather than build him new one . . . advantage to sell off council house to someone in it, and take lease of house and bring tenant into rent rebate scheme. Powers already exist. GLC and Birmingham using them.

Campbell: want owner of house to be able to keep house in repair but needy tenant.

Macleod: means subsidising landlord. Removing subsidies from council houses and giving subsidies to landlords - can't see us sweeping the country with that. Long term policy.

Joseph: only to those who need it whether they are public or private tenants.

Macleod: not interested in actual election. of

Heath: seems slightly more complicated than at first, but principle is fair.

Walker: if you stick to principle of subsidising one-third of population in council houses and get 1½ million houses heavily subsidised, will end up with 40 per cent of population in council houses and election after election will be fought on council house rents and be lost.

Rippon: can't we have Peter's council house policy and Robins social security policy. Social security aspect ought to be dealt with not by Minister of Housing but Ministry of Social Security.

Maudling: very much like to see answer to this. You are going to have fair rent policy for those in private sector means lot of people are going to be harder off.

Rippon: social security benefit to which they are entitled.

Heath: does seem strange project for private enterprise economy. Only thing we are arguing about is how to dole money out.

Barber: this is our accepted policy so far as council houses concerned. Chap is in work so he gets subsidy.

Joseph: because it can't be done overnight you need transitional arrangements.

Heath: trouble with all transitional arrangements is that they become permanent.

Barber: basically want to move in private sector into free market and want competitive forces to build more houses seems wrong way to help people with housing through social security.

Carr: in long run, ought to be helped by putting up wages. Going to jack whole wages system up in alarming way.

Joseph: that is why it has to be short term solution.

Walker: did not expect people to shift into owner-occupation because it is so enormous; nobody will go in for owner-occupation if he can get help on council house. Mortgage position . .

Heath: all that going to change if you get viable economy. If you change policy you get pressure of Everything you have said says your policy will produce that. Counter movement is when they start going into council houses because they are poorer than people who move out. Very well that seems acceptable system. But put this business of expanding subsidies into private sector where you may be certain they will get back in .

Joseph: you are absolutely right in your analysis.

Walker: if you take that analysis, only thing you are talking about - if you are sitting on council and have this

council house into which you can move people in private sector, it may well be you sell off this council house and take a lease upon the house they are going from, and take it into the rent rebate scheme - is a much better use of public resources.

Heath: they are doing that at the moment.

Joseph: got to answer Reggie's point about looking after low wage tenant.

Heath: let's see this done as an analysis and the implications of it.

Joseph: Birmingham, London and Glasgow

Campbell: procedure will take time. In Glasgow, every bit of housing in private sector will fall into disrepair and will be much more expensive because that housing will be lost to the country. There is rent rebate scheme in public sector, but there is no equivalent one in the private sector if they are employed. In the end it may cost us more money because a lot of houses in 15 years will have become slums.

Menzies Anderson: have recognised Glasgow as special case. Mortgage side is very important for owner occupation. Building societies are not keen on lending on flats - which is situation in much of Glasgow - below £2,000 value, and only way ~~is to go to local authority~~ to get money is to go to local authority, and it is difficult to get money. Peter has covered that.

Heath: all right. Let's have paper. You have all the ~~main~~ points.

Macleod: can we drop Housing Advisory Centre?

Walker: really is not nonsense. Think it is really one of the most important things in policy. Might say when we discussed this with public relations at Central Office they considered of all proposals this was most appealing.

Heath: people would rather have advice than houses?

Walker: 110 cases in one week at Notting Hill - 47 of them were directed towards ways of buying their own house and taken off . . .

Balniel: 100 per cent behind this.

Joseph: would Peter limit it to big cities?

Macleod: then we will have Health Advisory Centres.

Balniel: exactly. Seebohm recommendation. One door to which they can go and be directed to specialised advice.

Macleod: got councillors and MPs.

Walker: in housing people do not know about cost, mortgage, could move a whole lot of people off council house list.

Joseph: yes.

Balniel: could be in conjunction with Housing Advice bureau.

Walker: would cost nothing.

Joseph and Barber: here, here.

Jellicoe: we are looking into this on voluntary side.

Heath: if it is essential we will add it with local authority and voluntary, and it will cost nothing. Let's look into detail and see how they can avoid offices and money. Would have thought house agents could do roster, like chemists, with building societies.

Walker: you grossly underestimate the large number of people.

Joseph: people can't help themselves but can be advised how to get within the public sector.

Hogg: could we have in this section something about methods of releasing land for housing.

Rippon: we allow people to sell it.

Hogg: I mean something in the Manifesto.

Educations

Heath: got our education policy. Must delete paragraph about independent university. If people want to set it up they can do so. But we do not want to be landed with subsidising it. Nothing we can do about it. They can apply for Privy Council approval and Privy Council will decide whether or not to give it.

Joseph: one of the most encouraging things if it could be done.

Heath: Max Beloff.

Thatcher: can I make a speech giving it a fair wind?

Heath: running a modern university is an enormous . .

Thatcher: do you mind if I say we would be delighted to see one provided no public money involved.

Hogg: might I ask how much money? Where would they get awards from? How much in capital investment?

Thatcher: £10 m revolving fund, loans to students, and of the same order . . . from same sources as money for hospitals - from business firms.

Barber: I was attracted by it.

Joseph: didn't need to be in Manifesto as long as Margaret can say something.

Heath: always say there is nothing to stop them doing it, put their own money in it, keep educational standards - but don't want it to come to State for money to keep it going. Never commit myself to saying whether independent schools are better than state ones or not.

Joseph: first class educational policy.

Macleod: not opposing it.

Heath: as soon as one says one welcomes this, they say what practical form does your welcome take.

Joseph: only Royal charters.

Heath: no.

Thatcher: can't get finance until they are sure they will get Royal charter.

Rioyon: Thatcher University Limited.

Thatcher: that is Open University for which we are refusing money.

Joseph: against your normal thesis this.

Heath: No, this is technically the position . . . If you like to say they have right to set up independent university and if they reach ~~Privy~~ standard, Privy Council will approve.

Barber: suggest we welcome it "at no cost to the State".

Heath: so unrealistic.

Thatcher: if I can do it in a speech - they are desperately anxious to get Royal Charter.

Heath: not committing myself to Royal Charter. Wouldn't trust Max Beloff for a minute. Already got too many universities.

Adjourned 12.30 p.m.