

LEADER'S CONSULTATIVE COMMITTEE

Minutes of the 10th Meeting held at 10.00 a.m.
on Friday 3rd May 1974 in the Leader's Room at
the House of Commons.

Present: Mr. Heath (In the Chair)

Sir Alec Douglas-Home (morning only),
Mr. Whitelaw (morning only), Mr. Carr,
Mr. Prior, Mrs. Thatcher, Mr. Walker,
Mr. Thomas, Mr. Pym, Mr. Gilmour,
Sir Geoffrey Howe, Mr. Jenkin,
Mr. Buchanan-Smith, Mr. van Straubenzee,
Mr. Rippon (morning only), Mr. Macmillan,
Lord Windlesham, Lord Carrington, Mr. Barber,
Sir Keith Joseph

Mr. Atkins

Sir Michael Fraser (Secretary)

Sir Timothy Kitson, Mr. Baker,
Mr. Waldegrave, Mr. Wolff, Mr. Douglas,
Mr. Sherbourne (in attendance).

Apologies: Lord Hailsham

1. Introduction

Mr. Heath welcomed colleagues and explained that this meeting provided an opportunity to have a wide-ranging discussion. One of the purposes would be to provide guidance and material for an early Manifesto, for which a framework had already been done. With regard to the press we would say that this meeting was one of a series comparable to the reviews in government, but was not intended to be a definitive meeting. The ACP was meeting on 8th May and they would be raising the lessons of the election and their views on future policy. Already he had seen a large part of the Party hierarchy during the last few weeks together with the Chairman and Deputy Chairmen. The meeting today would show the country and the Party that policy work was already under way and this should help boost morale.

Many of the people Mr. Heath had talked to in the Party wanted to see some radical and drastic changes in policy, aimed particularly at the problems of ordinary people which should take priority over rather more abstract principles. It was generally accepted that housing was one such field along with rates. There were also some interesting ideas in the policy group report on alienation (circulated), which urged giving people a greater say - though the cry of being out of touch always occurred after a period of office. The central point made by this report was their belief that we are not identified with ordinary people and their problems and this was our major presentational problem.

2. Rates

Mrs. Thatcher said she would like to establish a new policy group on rates with a slightly different membership to that of the housing group. This was agreed.

A discussion followed. The information on ways of transferring the burden of rates or moving to a different system was available in the government machine and no doubt access to this was possible. Transferring part of the burden of the rates on to the taxpayer would not ease the total burden of public expenditure. It was frustrating to control the expenditure of central government while local authority expenditure continued rising. One possibility was the control of expenditure on a cash basis instead of on a resources basis, i.e. in money terms rather than in real terms. Mr. Barber said that this was an emerging view within the Treasury and perhaps we could examine how this operated in those European countries which applied the system.

Mrs. Thatcher said that this raised the fundamental question of the distribution of power of local authorities, and this would have to be considered at the same time as their system of finance.

It was generally agreed that part of the recent problem of rates had arisen with the reorganisation of local government. Perhaps the Research Department could provide the figures showing the total increase in staff along with a regional break-down.

Mr. Heath said that there was now a lot of steam behind ratepayers' associations which were growing up fast and in many cases taking away our support. This could have an adverse effect on our local authority representation and eventually on our constituencies. Mr. Barber felt that we could win back these associations, which were basically Conservative/Liberal, if we could produce something fundamental and politically attractive on rates. Mr. Rippon felt that we might adopt the urban parish concept which had not been included in the Manifesto.

Mr. Heath said that in this discussion they had discussed certain broad questions and accepted that the system had to be changed, though decisions would still have to be reached on the details of how this should be done.

3. Paper by Sir Alec Douglas-Home (ICC/74/9)

Sir Alec Douglas-Home introduced his Paper. He felt that there had recently been too much Party bickering and that there was a need reaffirm the theme and philosophy of Conservative policy. It was generally agreed that the first two questions, on the property owning democracy and on the need for choice and variety in education, were very important. On the third point, concerning the dislike of bureaucracy, we might admit that perhaps we had sacrificed local loyalty in the cause of efficiency.

A discussion followed. Mr. Carr said that recently the Party had ceased to have a central theme to which we

could refer our various policies. There was no better one than the property and capital owning democracy, provided that it was interpreted more widely than simply housing and shares.

Lord Carrington said that there was a fifth area and one where we had failed: we had failed to explain that success is a prerequisite of the creation and increase in wealth. Lord Windlesham said that, in commending values and standards, we should not be speaking in the context of profits only. We should go wider - otherwise we might be open to attack from the Socialists - and we ought to find a new description for the "property owning democracy".

Mr. Walker said that one way of bringing home to people the relationship between success of a company and of its employees would be to find ways of moving capital from companies to their employees - perhaps by paying sums of money out of capital reserves for service contracts. On the question of housing he suggested a scheme whereby tenants of council houses would pay, say, 130 per cent of the fair rent over a period of around twenty years in order to buy a house. What was important was to introduce a simple system; to go for individual valuations of council houses would prove too cumbersome and lengthy to be effective. A discussion followed and it was agreed that this should be examined by Mrs. Thatcher's group on housing.

Mr. Carr said that we must realise that whereas before home-ownership brought security and tenancies brought insecurity, the position was now reversed and today because of rising interest rates home-ownership created uncertainty and insecurity.

Mr. Prior said that to talk of a property owning democracy while we had been moving in the opposite direction - and not only in housing but in a deterioration in elementary education - only gave the impression that we were out of touch.

Sir Keith Joseph was anxious that profits should be encouraged in order to reverse Britain's relatively poor consumption:investment ratio. Mr. Macmillan wanted to find ways in the field of labour relations of making people realise that they have income which is invested. It was agreed that the CBI and individual companies should be encouraged to explain how much of their profits find their way back to the people either through taxation or through dividends to institutions, pension funds etc. Mr. Heath said that we had to realise recently this presentational point had become difficult because of the large profits that had been made by the property companies and the banks.

Mr. Pym said that presentation and communication was as important as our philosophy and policies. He felt that there should be a group of people to help the Shadow Cabinet to communicate policy which at the present time neither Central Office nor the Research Department were equipped to do.

4. Foreign Affairs and Defence

Sir Alec Douglas-Home opened the discussion. He announced that the backbench committee on foreign affairs was already working on what our approach should be on Europe and in particular on the Party's attitude to a referendum. He did not feel that the Government's Paper on its negotiating position would be unreasonable. The question was what Labour said on the budget.

Mr. Heath felt that for the time being we should maintain a low profile on the referendum. He understood that there was a Cabinet split on this subject. A discussion followed. It was felt that emphasis should be given to the continuing nature of negotiations within the EEC. It was suggested that the improvement in the budget would be a better approach than a renegotiation of the Treaty as such, though changes in the Treaty mechanism would be necessary for a reasonable regional and social fund. It was felt that the Party should not sabotage the Labour Party's position on Europe as the Labour Opposition had done to the Conservative Government. Mr. Heath said that the Party should act with care because otherwise they might find themselves becoming committed to a withdrawal from the Community.

It was agreed that more emphasis should be placed on the effect on people's jobs and livelihood of our membership of the Community. But the argument in favour of membership would come better from people like industrialists rather than politicians.

The tactical question arose as to the position of Ministers like Mr. Jenkins and Mr. Lever who had resigned from the Shadow Cabinet on the question of referendum. It was agreed that this question should be played quietly until the issue arose.

A discussion took place on how far the Party should attack the way the Government's foreign policy lost customers for British goods and friends in general.

The question of defence was discussed. Mr. Gilmour said that the Ministry of Defence was working extremely hard on the Defence Review but that it would probably not appear until September. A discussion followed on the importance of explaining to the public the dangers of the Soviet build up of arms.

5. Devolution and Kilbrandon

Mr. Heath opened the discussion. He said that the Party Chairman and he had already had three long discussions with the Scottish Party organisation and he explained the changes that he had made there. We had to recognise that the SNP were a dangerous threat to our seats in Scotland. The general feeling was that the two major issues in Scotland were devolution and oil. Oil was probably the greater issue because of the fear that it would be controlled from Westminster. Mr. Buchanan-Smith warned that there was a danger that Scotland could go sour.

A discussion followed on North Sea oil. It was felt that it would be right to announce that we intended to transfer a part of the Department of Energy to Scotland.

Mr. Thomas said that oil had acted as a stimulus to nationalist activity in Scotland. He was worried that if oil were discovered off Wales this would be used by the Welsh Nationalists as a weapon in their campaign. The view of the Welsh Parliamentary Party was that we should not move too far along the Kilbrandon road. Nor did they want to see an extra tier of government. But we should think about the possibility of extending the functions of the Welsh Office and a Council of Wales with new powers.

Mr. Heath said that he had always been careful to make the point that Scotland, Wales and England were all different.

It was agreed that some form of political devolution was necessary in Scotland, but it was suggested that it was important for Westminster to keep ultimate control over any Assembly established. An indirectly elected Assembly was specifically mentioned. On the question of finance, it was suggested that Scotland should be given its own block-grants

The meeting adjourned for lunch at 12.50.

6. Inflation (LCC/74/11)

Sir Keith Joseph introduced his paper on inflation. A long discussion then followed on the inter-relationship of monetary policy, cost inflation the level of demand and the growth of output. It was generally agreed that when certain key imports rose in price two or three fold or even more, this was bound to have a significant upward effect on UK inflation - but that the UK had been doing better than most other European countries in containing its own domestically-generated inflation. On the particular question of the money supply it was agreed that, while this was an important factor, the real difficulty arose over timing and in deciding what the actual increase should be at any particular time.

There was general agreement that inflation of 15-20 per cent, a high level of unemployment and a miniscule growth in output over any length of time all brought severe social and economic problems which our policies should be so designed to avoid.

7. Other Papers

It was agreed that further meetings would be arranged to discuss the papers, still outstanding, on Agriculture, Education and the Social Services.

The Meeting adjourned at 5 p.m.