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NOTE FOR THE RECORD

Mr. Heseltine telephoned the Prime Minister at 1945 on Saturday 25 July. He said that he was aware that the Prime Minister would be announcing a package of youth unemployment measures during the Censure Debate on Monday 27 July. He wanted to put on record his view that the Prime Minister should not commit the Government to any expansion of the Youth Opportunities Programme in its present form. In his view, the YOP only provided "cosmetic" jobs. He suggested that the Prime Minister's speech should include a passage saying that the Government was looking at how these schemes worked so as:

- (a) to ensure value for money;
- (b) to employ the maximum number of young people;
- (c) to create real and not cosmetic jobs; and
- (d) to establish projects of lasting, and not temporary, value.

Mr. Heseltine said that he had collected a good deal of evidence in Liverpool to show that YOP schemes did not provide real jobs. One constraint was that the Government appeared to be coy about letting the private sector profit from the YOP scheme. He had been working on a scheme of his own, the gist of which was as follows. When the public sector put out building contracts to the private sector, one of the conditions would be that the contractor should employ a much higher ratio of apprentices to craftsmen than at present. This could add as little as £1,000 to the cost of a house, while increasing employment, providing houses, and training young people.

Mr. Heseltine went on to say that the Departments spending public money in Merseyside were not coordinating their activities properly. The Department of Industry was giving grants to firms based in the attractive industrial estates on the outskirts of Liverpool. The Department of Employment was paying benefit to the unemployed in the inner city areas. And the Department of the Environment was spending money to try to bring the inner

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city areas up to the standards of the outskirts.

Mr. Heseltine added that he considered the behaviour of the police in Liverpool 8 to be quite horrifying. They were not acting in a racist fashion. They simply treated all suspects in a brutal and arrogant manner. He felt that there were too many young police recruits in the area, and that the local Commander was displaying a "fortress" mentality. He had explained his concerns to the Home Secretary.

Finally, Mr. Heseltine said that he would probably be remaining in Liverpool for the next two weeks, and possibly longer. He hoped that he could be excused attendance both at the Censure Debate on Monday and Cabinet on Thursday. He would be putting a report to colleagues in the week of 3 August, and this would probably include his proposals on youth unemployment.

The Prime Minister said:

(a) she would include a passage in her Censure Debate speech, on the lines suggested by Mr. Heseltine, indicating that the Government would be reviewing the operation of the YOP schemes;

(b) that Mr. Heseltine should discuss his own youth unemployment scheme with Mr. Prior;

(c) that she might mention in her Censure Debate speech the lack of coordination in the spending of Government money in Liverpool. In her view, it might also be worth considering whether the Ministry of Defence should do more to place its procurement contracts in the UK, even where cheaper equipment could be obtained overseas;

(d) that Mr. Heseltine should speak to the Chief Whip about whether he could miss the Censure Debate. She was quite happy for him to miss Cabinet on 30 July.