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Prime Minister

E(LF) ON 23 SEPTEMBER 1985

I am sorry that I shall be unable to attend E(LF) on 23 September as I shall be in China. I thought it would help if I set down my general reaction to the revised proposals which Kenneth Baker and his team have produced. I have not yet had a chance to see the Chancellor's paper, nor the one which I understand Sir Keith Joseph is going to circulate.

On balance, I think Kenneth Baker is right. We cannot go on with the annual confrontation with local government using mechanisms which combine the worst of both methods. They are crude in their effects, often hitting the good as well as the bad, and yet very complicated to decide upon and present. We must choose, as Layfield said in the mid 1970s, between centralism and localism. I agree with Kenneth that it is administratively impracticable and politically impossible to go for centralisation. There may be a few limited areas where this would be right, but they must be clearly delineated.

I think Kenneth's revised package should be sufficiently simple and tough to provide a really strong self-regulatory mechanism. The simplified GRE system may well be our biggest hurdle and the whole system will depend on it. But we must get the development work done to see if it can be made simple and at the same time sufficiently robust. There are a number of "second-order" issues on which it will be necessary to ensure that the arrangements do not adversely affect transport. In particular, I shall continue to need specific mechanisms to influence local



capital programmes so they are consistent with my own. I must therefore reserve my position on the details. But these should not detract from the main thrust of his package, which I support.

Copies of this minute go to the other members of E(LF).

J. Conliffe

p.p. NICHOLAS RIDLEY
20 September 1985

*(Approved by the Secretary of State
and signed in his absence).*

