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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

MAIN REPORT

I regret that because I have to leave for Washington this afternoon, I cannot come to your meeting this afternoon; John McGregor will be representing the Treasury.

The meeting is primarily about City Technical Colleges, which as you know contain several elements in common with my own ideas. I had a meeting with Kenneth Baker this morning, and we will be producing a joint paper for you for a meeting after the Party Conference.

My reason for sending you a minute is because I am very disturbed by the draft statement attached to Malcolm Rifkind's note about the Main Report. It would be extremely damaging if we were to give the Report a favourable reception before we have ourselves had any chance to consider the implications. There are a number of points in it which worry me, but in particular it would be disastrous to have headlines saying that the Government is giving fair wind to an immediate 23 per cent pay increase - or anything remotely like it.

I believe we must discuss this in the context of the Coventry package for England, and also of public sector pay policy and public expenditure more generally. At this stage I feel very strongly that the Government must not do any more than note the report and say it is studying the conclusions urgently.

A handwritten signature in dark ink, appearing to be 'N.L.'.

N.L.

25 September 1986