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I think we need some time to discuss these matters

PRIME MINISTER

20 December 1985

LEGISLATION FOR 1986-87 AND BEYOND

Departmental bids for space in the next Legislative Session have now been completed. Now is the time to ensure that:

- i. the 1986-87 Legislative Programme is well-balanced and exciting;
- ii. initial thinking for the Manifesto is on course.

Programme Bills and Housekeeping Bills

In preparing our suggestions, we have studied the Bills for the current and previous Sessions, and have divided them into two categories:

- 1. Programme Bills, designed to carry out the Government's commitments.
- 2. Housekeeping Bills, worthy enough, sometimes essential, but not designed to further the Government's main aims.

The results are:

	Programme Bills	Housekeeping/ Programme	Housekeeping
1984-5	5	-	
1985-86	12	6	36

On the basis of last year's experience, holding back 3 or 4 extra Housekeeping Bills would allow Parliament to handle one extra Programme Bill : so the loss of only a dozen minor Bills would allow up to 4 extra Programme Bills.

Our Suggestions for 1986-87

The following Bills have already been approved for the next Session:

- Banking Regulation ✓
- Northern Ireland Emergency Provisions ✓
- Copyright and Intellectual Property ✓
- Criminal Justice ✓
- Petroleum (PRT, etc) ✓

The fact that Parliament could handle more Programme Bills leads us to suggest several major items for 1986-87:

- Post Office Privatisation
- Privatisation of BREL ✗
- Privatisation of Urban Bus Companies
- Competitive Tendering in Local Councils
- Political Manipulation in Local Government
- Deregulation
- Speeding up House Transfer
- Disused Land Registers
- The Health Service: a Right to Buy
- Encouraging More Gifts to Charity
- Taxpayers' Charter

Details of each item are given in Appendix A.

Beyond 1986-87 and the Manifesto

Looking beyond the next Session, we have considered the following items as candidates for inclusion in the Manifesto:

- Privatisation of the Coal Industry
- Electricity Privatisation
- Deregulation of the Private Rented Sector ✓
- Statutory Right to Tender ✓
- Education: Extending Parental Choice ✓
- Trade Union Reform ✓
- Wider Home-Ownership ✓
- A New Competition Act
- Civil Service Recruitment ?
- Tax Simplification

Details of each of these items are given in Appendix B.

Recommended Response

We would welcome an indication of your own preferences. In addition, we recommend that discussion of these issues should take place through a specially-convened meeting of Ministers (Whitelaw, Howe, Tebbit, Lawson and Brittan) which may then decide on the setting up of a Manifesto Working Group under the chairmanship of the Chancellor of the Duchy of Lancaster.

Brian Griffiths

BRIAN GRIFFITHS

APPENDIX A

POST OFFICE PRIVATISATION

The proposal: As a first step, Girobank should be privatised and most of the Crown Post Offices should be sold off. Further steps might include opening letter-carrying up to competition and, eventually, full privatisation. It would be possible, for instance, to break the Post Office's monopoly and then, a year later, to put it up for sale.

Reasons in favour: The proposal has many advantages:

- i. The Girobank would be less prone to industrial strife.
- ii. Privatisation of Girobank will open the door to the major investment required following liberalisation of financial services.
- iii. Privatisation of the Crown Post Offices will make them more efficient, and will raise £100 million.

Arguments against: It will be suggested that rural postal services would be threatened by privatisation.

Assessment: So far, the privatisation of the Post Office has not been much argued in public. Therefore the more radical options would not be likely to find favour in the short term, and we should begin with privatising Girobank and selling the Crown Post Offices. The "rural" objections are not serious because country Post Offices are already privately-owned.

Action: Work up the privatisation of Girobank and the sale of the Crown Post Offices for 1986-87, and consider the more radical options for the Manifesto.

No - not Post Office

Not a privatisation of the ~~post~~ mail system
but of

- (i) Girobank
- (ii) extension of privatisation to ^{some} Crown Post offices

PRIVATISATION OF BRITISH RAIL ENGINEERING LIMITED (BREL)

The Proposal: Privatisise BREL as soon as practicable, either by a management/employee buy-out or by a trade sale of the entire core business.

Reasons in favour: BREL was formed in 1970 by separating the engineering workshops from BR's various regional organisations. Since the early 1980s, efforts have been made to reshape BREL into a commercial enterprise. At the same time, the policy whereby BR now tenders competitively for all new rolling stock and most major maintenance contracts has forced BREL to put a high priority on marketing. Although there is still a long way to go, a credible strategy is emerging. Full privatisation is the natural end-point of this invigorating process.

Arguments Against: Apart from doctrinaire ritual noises from the Opposition, there are no cogent arguments against the privatisation of BREL.

Assessment: The real issue is not whether to proceed with privatisation, but in what form. Arguably, BREL should be retained as an integrated business. Competition in BR's market for locomotives and rolling stock will not be increased if BREL's competitors are allowed to buy up the best bits and discard the rest.

Action: Last July, E(A) agreed to allow BR/BREL until mid-1987 for the separation of the two operations to be completed. Consistent with this, enabling legislation would be required during the 1986/7 Session.

PRIVATISATION OF URBAN BUS COMPANIES

The proposal: Include a short Bill in the 1986/7 Session giving the Secretary of State for Transport the power to privatise the urban bus undertakings (currently municipal bus companies and PTEs).

Reasons in favour: Coinciding with the advent of a deregulated bus régime, this proposal should give a valuable stimulus to competition. Already there are indications that urban bus managements would welcome the opportunity to follow NCB into privatisation. In most cases, they would be blocked by their local authority owners. The proposed Bill would overcome this.

Arguments against: Some will argue that we are forcing the pace too much - best wait to see how the new deregulated régime with a privatised NBC works before launching more private-sector enterprises.

Assessment: There is no logic in privatising NBC to enhance competition but not the urban bus undertakings. The argument against proceeding apace should not deter us; the Secretary of State can use his powers sparingly if he considers it prudent not to move too fast.

Action: The Department of Transport have this in mind for the Manifesto and the next Parliament. The Bill would be short. Why not aim for 1986/7?

1981 Transport Act (Coaches)
 1985 " " (Buses)

COMPETITIVE TENDERING IN LOCAL COUNCILS

The Proposal: Extend competitive tendering in local government, learning from the successes and deficiencies of the Direct Labour legislation.

Reasons in favour: The Government has already enacted legislation enforcing competitive tendering for work done by 'Direct Labour Organisations' in local councils. This legislation has, on the whole, worked reasonably well. In some cases, it has led to the contracting out of work that would previously have been done by Direct Labour Organisations; in others, it has induced Direct Labour Organisations to reduce their own costs in order to retain work.


The Department of Environment has already prepared the ground for an extension of competitive tendering to other local services. The Secretary of State has issued a White Paper and consulted on it, and was ready to introduce a Bill into the 1985/6 legislative session. This would have enabled him to order competitive tendering in a wide range of local services, and would have protected such tenders against the more obvious abuses. It was only lack of legislative time that prevented the inclusion of the Bill in this session.

A Bill of this sort would not only bring about improvements in local government services, but would also be extremely popular amongst backbenchers. A recent early day motion favouring legislation was signed by 206 Conservative MPs.

Arguments against: Local councils hostile to the Government will regard this as an unwarranted intrusion. Conservative Councils which have already installed tendering systems will regard Government action as insulting and burdensome.

Assessment: The political climate is favourable for rapid action: Liverpool has brought council malpractices to public attention. A Bill to promote competitive tendering will be popular, as long as it gives an exemption for a few years to sensible councils that have recently gone out to tender.

Action: Introduce a carefully drafted Bill early in the 1986/7 Session.



*Recommendation - the
Widdicombe*

POLITICAL MANIPULATION IN LOCAL GOVERNMENT

The Proposal: Legislate to minimise political manipulation of local government. The precise form of the legislation will depend upon Widdicombe's detailed recommendations. But the Bill should include, at least, provisions to:

1. prevent a council from giving phoney jobs to councillors from nearby areas as a means of supporting full-time political activities;
2. provide protection against political manipulation of the selection procedure for council officials, so that incoming administrations do not find themselves burdened with officers who have been chosen for their political affiliation to the previous administration;
3. constrain further the discriminatory provision of services for wards or other geographical areas that are politically favourable towards the council.

*How to draft?
Don't
to do effectively.*

Reasons in Favour: The Widdicombe Committee will be reporting during the summer of 1986. The Committee will clearly recommend a number of changes in the rules covering local government, to ensure that political manipulation is minimised. This will provide the Government with the basis for legislating to prevent abuses that have turned local government, in some areas, into a machine for engaging in national politics rather than an efficient provider of local services.

Arguments against: It will be argued that the government is merely using legislation to clamp down on political opposition. It will also be said that the government is distracting attention from 'the real problem of the inner cities'.

Assessment: Action will clearly be needed, and will be politically acceptable. As long as the Bill avoids any hint of partisanship or dictatorial tendencies, it will pass easily through both Houses, and receive a favourable write-up in the press. It will also keep the Liverpool fiasco in the public mind.

Action: It is a nice question whether such a Bill would need to be preceded by a White Paper. If so, a Paper will need to be drafted rapidly and issued in the autumn, to allow for introduction of legislation in January or February 1987. But, if the Widdicombe Committee Report is sufficiently robust, there may be no need for a paper: the Secretary of State could simply consult local authorities and other interested parties about their reactions to the Widdicombe Report itself, and then move immediately to legislation.

Kenneth Baker should be asked now to set a firm date with Widdicombe for the publication of his report, so that the timing of the various steps can be decided in advance.

DEREGULATION

The proposal: To put into effect any deregulation proposals in David Young's proposed Spring 1986 White Paper that do not have natural resting-homes within Departmental legislation. This could include:

- Putting the onus of proof always on the regulator.
- Changes to the statutory sick pay scheme.
- Reducing detailed health and safety requirements.
- Further simplifying planning legislation.
- Abolishing statutory audit for shareholder-managed companies.
- Simplifying company filing requirements.
- Introducing a general product safety duty and abolishing old regulations.
- Deregulating taxis.
- Easy cross-frontier controls.
- Introducing sunset legislation.

Reasons in favour: An important part of the deregulation initiative to which the Government is committed and one that should promote enterprise and jobs.

Arguments against: All deregulation must upset the original proponents of regulations.

Assessment: Everyone is in favour of deregulation provided they don't suffer from the consequences. There are few pieces of deregulation that will be entirely uncontroversial. Nevertheless, an important initiative that must be strongly pursued.

Action: Depending upon progress, either 1986-87 legislation, or the Manifesto.

SPEEDING UP HOUSE TRANSFER

The Proposal: Place local authorities under a statutory duty to deal with local searches and supplementary enquiries within 14 days; simplify the law, possibly on the lines of the Scottish system.

Reasons in favour: The procedures for house transfer are archaic, frustrating and costly. The main problem is the delay between a decision to buy and the exchange of binding contracts. The four main obstacles to earlier exchanges of contracts are:

1. mortgage lending practices, whereby the purchaser has to sell one property before buying another;
2. lack of competition among solicitors and estate agents;
3. the time taken by local authorities to carry out searches and answer enquiries;
4. "gazumping", which might be prevented by a move to the Scottish system of effectively binding offers. *has a number of drawbacks.*

The first two problems are being dealt with. Local searches remain the major cause of delay. Local authorities can take as long as ten weeks to carry out searches. Delays of this order reflect the lack of priority which some local authorities give to home ownership. A statutory duty to complete searches within 14 days would secure common practices throughout the country. ✓

Arguments Against: A statutory duty would strengthen local authorities' arguments for additional finance. There may also be problems in defining the statutory duty in such a way that it covers the operational details which currently are matters for agreement between LAs and the Law Society. "Encouragement alone would do the trick."

Assessment: Neither objection is overwhelming: realistic fees would recoup the cost of computerised systems quite rapidly; and the precise nature of LAs' responsibilities will need to be clarified in any case, in the interests of speed and simplification. Simplification of the law is being handled by the Farrand Committee on conveyancing.

Action: Consider a short Bill for the 1986-87 Session. Manifesto commitment to adopt changes in the law (possibly the Scottish system) which the Farrand Committee may recommend.

DISUSED LAND REGISTER

The proposal: Steps should be taken to speed up the disposal of the 12,000 sites (100,000 acres) of publicly-owned disused land on the Register. This could be done:

- i. either by using present powers to direct disposal of 1,000 sites or more each year, thereby flooding the market and reducing prices (which would aid rapid development);
- ii. or by giving individuals a right to demand auction of given sites if the public land had been unused for more than, say, 6 months.

In either case, new legislation would be needed, since the present Act makes rapid disposal almost impossible and gives individuals no rights.

Reasons in favour: The present system permits inordinate delay. At the present rate of issue of Directions, the Register will be in existence for 100 years. This failure to sell off disused land has devastating effects in inner cities.

Arguments against: We have passed legislation already which, though cumbrous and slow, is of some effect. Passing new legislation will be taken as an admission that our first effort was not successful.

Assessment: Action is urgently needed to increase the number of disposals and the development of land for services and housing; our inner city policies will come to nothing if councils and other public bodies continue to keep thousands of acres of disused urban land lying idle.

Action: This could and should be done quickly. It should be in the 1986-87 Programme.

Simply it would be better to include a right to have private NHS e.g. prescriptions even if a private doctor. Surgery - even a private room

THE HEALTH SERVICE: A RIGHT TO BUY

The Proposal: Anything that is currently free should remain free. But NHS patients would be given a right to buy extra services - non-medical services (eg food in hospitals) and possibly some extra medical services as well (eg rapid treatment of sports injuries, or elaborate preventative screening). The power could either be a general right for Health Managers to sell extra services, or the removal, item by item, of specific restraints in existing Health Service legislation.

Reasons in Favour:

- i. This would enable people to obtain more health care without increasing public expenditure.
- ii. It would build on and encourage the more entrepreneurial spirit amongst Health Service Managers following the Griffiths reforms.
- iii. It would encourage GPs to provide extra services - they are currently not allowed to charge any NHS patient on their list for any services.
- iv. It would support other Government initiatives to encourage private sector involvement in health - private provision of catering, for example, is going slowly because there is not much profit in a simple low-cost service.
- v. It would promote patient choice, whilst keeping a free service wherever it now exists.

Arguments against:

- i. Politically controversial, as it could be presented as attacking the Health Service as we know it.
- ii. Looks like mean old Treasury charging policy.

Assessment: It is very difficult for patients to top up spending on health without going out into the private sector and starting again. This proposal could open up the middle way in health care. It may be necessary to define the services which can be sold, and to impose new rules ensuring that the remaining free service meets minimum standards.

Action: If the Department presses for a Health Service Bill in the 1986-87 Session, it should only be agreed provided that it liberalises the régime on selling services. Otherwise, probably a Manifesto item.

ENCOURAGING MORE GIFTS TO CHARITY

The proposal: A package of simple measures to encourage companies and individuals to give to charity, without serious loss of tax revenue, could include the following:

1. The introduction of Corporation Tax relief for single gifts (replacing the little-used covenant scheme for companies).
2. The introduction of a modest incentive for single gifts by individuals (eg Government returning £1 of tax for every £4 of taxed income given away) while retaining the present covenant system for individual gifts.
3. The encouragement of payroll giving or other forms of regular, automated transfers for charitable giving.

Reasons in favour: The real value of donations to companies by charities has declined greatly in recent years and the increase in personal giving, especially through covenants, has not made up the difference. So charities are badly in need of extra help. And the Government, which is often accused of not having a caring face, ought to be seen to be doing what it can to help charities. Increased charitable giving could substantially reduce the call on public funds made by museums, universities, schools and hospitals: in the long-run, tax concessions for such giving could therefore be a net benefit to the Exchequer.

Arguments against: The Revenue will point out that the Government has already done much to encourage charitable giving, and that, since some charities are dubious, wider tax exemption for gifts to them could cause tax leakage.

Assessment: The proposals set out above are modest and reasonable and, since the total given to charities by companies and individuals is not great, the scope for tax leakage is limited.

Action: Adam Ridley's paper on charitable giving, from which the proposals above are taken, has in it much of the necessary preparatory work. The proposals could readily be included in a Finance Bill, and should be implemented as soon as possible.

TAXPAYERS' CHARTER

The proposal: To redress the balance between the taxpayer and the Inland Revenue, set a code of practice for the Revenue, and provide a simple appeal procedure against breaches of this code.

The code would be designed to

- prevent harassment
- contain excessive zeal
- require discretion to be applied impartially
- ensure better administration
- give more equal treatment for small business.

Reasons in favour: The Government says it is in favour of the small businessman and the individual, yet during the Conservative Administration there has been a growing trend of harassment and unreasonable behaviour by the Revenue. This proposal would restore the balance and would be well received by the public at large.

Arguments against: The charter would involve the Revenue in some extra work. To the extent that the Revenue have been abusing their existing powers, it will weaken their position. New appeal procedures may be abused. Revenue morale may be damaged.

Assessment: The proposal should not lead to any loss of revenue. Whilst it may create more work for Revenue through appeal hearings, work should be saved by less zealous pursuit of small sums. Taxpayers should welcome the proposals, and it may create a more constructive attitude towards taxpaying which will ultimately benefit the Revenue.

Action: The Chancellor is already working up a scheme. Although the proposed charter does not require new legislation, the appeal process will. This could be introduced in the 1987 Finance Bill, with implementation of the Keith proposals on Revenue enforcement, or be delayed for the Manifesto.

APPENDIX B

PRIVATISATION OF THE COAL INDUSTRY

The Proposal: To restructure the UK coal industry, aiming for a diversity of private sector participants operating in a licensing/regulatory régime akin to that successfully established for the exploration and development of UK oil and gas resources. The country would be divided into concession areas, awarded on a discretionary basis or after competitive tender. The Government would be the licensing/regulatory authority. Royalty would pass directly to the Exchequer.

Into this framework, a privatised industry could be launched. The open-cast pits could be auctioned off. Concessions for the development of new mines could be awarded after competitive tendering from the private sector (probably mining and oil companies). NCB's existing profitable mines could be offered for competitive tender. Where appropriate (ie limited future investment required) management employee buy-outs could be encouraged.

Reasons in favour: The exploration and development of coal is no more a natural monopoly than that for oil and gas. The UK coal industry is the victim of a structure which owes more to history than business logic. The NCB is a hopelessly confused combination of business interests, licensing authority, economic rent collector in lieu of Government and vehicle for social policy. Even given the highly desirable shift of emphasis from a supply-driven business to a market-responsive business, it is doubtful that a monolithic NCB riven with these conflicts of interest can ever operate as a single-minded, commercially-disciplined business.

Arguments Against: The business logic and macro-economic case are irrefutable. Nonetheless, some will argue that the social dislocation consequent on the radical restructuring of the UK coal industry will be too severe. Mining communities have deep tribal loyalties. There is a North/South dimension. The argument, therefore, is whether to proceed cautiously step-by-step, or, as it were, to go for a "big bang". This issue does not need to be addressed in the Manifesto.

Assessment: Without privatisation on the lines proposed, the benefits of our valuable coal resources will continue to be dissipated.

Action: Include in next Manifesto.

Against privatisation
Constitute benefits

Certainty restructuring.

ELECTRICITY PRIVATISATION

The Proposal: To privatise the electricity supply industry in a way which promotes competition. The best solution would be to maintain the national electricity grid but to sell off the power stations individually or in groups. The Area Boards would become independent companies, with freedom to buy from the competing generating companies, paying tolls to national grid. The electricity showrooms would be sold off separately.

Reasons in favour: A major tranche of privatisation with proceeds similar to those of gas. Wider share-ownership. More competition within the supply industry and therefore more efficient production. Major industrial consumers could shop around for the most advantageous contracts, when considering investment decisions. Greater security from industrial action by dividing supply amongst many employers. Possibility of more combined heat and power (district heating) schemes being promoted.

Arguments against: CEGB will cite a few isolated instances in America of catastrophic cascading power cuts to support the argument that breaking up the industry will jeopardise load management. Eliminating central planning might lead to incorrect investment decisions.

Assessment: the arguments against privatisation relate to a less sophisticated operating environment than has now been created within the UK, and in any event the likelihood of a cascading power failure must be much smaller than the threat of a national power workers' strike or of effective secondary picketing by the miners. Provided proper regulation and competition are achieved, this should be a popular and sensible measure. The Area Boards will welcome the independence this measure would provide them. If privatisation en bloc is the only option acceptable to the Party, discard the proposal.

Action: Manifesto commitment.

1983 Manifesto.

In any event it needs
resistance
not

DEREGULATION OF THE PRIVATE RENTED SECTOR

The proposal: Landlords and tenants in all new private lettings would be free to agree on rent levels and length of tenure. Landlords would be entitled to repossession at the end of the agreed term. Harassment of either party by the other would be severely punished. Existing lettings would remain protected.

Reasons in favour: Deregulation would help the homeless by bringing back into use thousands of homes kept empty by the Rent Acts. It would free the housing and employment markets and would help labour mobility.

It would also attract private money into public sector housing: the building societies will not put cash in unless they can get a fair rate of return on their investment.


The proposal is very popular with all sections of the Parliamentary Party. (Francis Maude's Ten-Minute-Rule Bill was supported by all wings of the Party, even the "Left": Jim Prior voted for it, as did Geoffrey Rippon and Francis Pym, who wrote in support.)

Arguments against: Labour will threaten repeal. Landlords may thus be unwilling to bring their houses back into the private rented market. The possibility of harassment will be raised. London MPs, even Tory MPs, will fear the electoral consequences.

Assessment: Labour threatened repeal of Right to Buy, but has now accepted the policy. The same could be true of private renting: many Labour MPs (including Jeff Rooker) are privately in favour of some reform.

The proposals are tough on harassment; Rachmans flourish now because of regulation, and would be driven out of business (as Rachman was) by deregulation which gives tenants a choice so that they avoid bad landlords. The continued protection of existing tenants would minimise voters' fears.

Action: Cabinet last July decided not to deregulate before the Election, and said that the proposal should be included in the Manifesto. Instructions to Counsel are already drafted, and no further policy work is needed. The proposal has the support of the Party and is ready to be put straight into the Manifesto.



STATUTORY RIGHT TO TENDER


The proposal: Private individuals and firms would have the statutory right to tender for any activities now carried out by public bodies, except those on a reserved list. There would need to be rules ensuring fair consideration of all tenders, and a system of appeal for those who were unfairly treated.

Reasons in favour: The idea of competitive tendering in councils has been accepted: why confine it only to local government? Opening up a wide range of governmental activities to genuinely competitive tendering will be a spur to efficiency. Tendering will publicise the opportunities for cost-saving and privatisation, and will help to get the people's assets back into the people's hands.

Arguments against: Public sector purchasers will argue that a statutory right to tender, without any restrictions on grounds of competence, will increase administrative costs. Moreover, unless contracts are disaggregated, it will be difficult for small firms, or new entrants to a market, to bid. MOD, for example, will argue that it achieves better deals and saves administrative expense by relying on qualified firms to act as prime contractors. Specifications of defence contracts may contain classified information which cannot be made available to all-comers. Can public sector purchasers be forced to take outside tenders seriously?

Assessment: The potential savings from this proposal are so substantial that it should be given serious consideration, notwithstanding the practical difficulties. To succeed, the measure would have to be accompanied by agreements to disaggregate public sector activities in a way which facilitates competition.

Action: Develop this proposal for the Manifesto.



EDUCATION: EXTENDING PARENTAL CHOICE

The proposal: With luck, Keith Joseph will have announced the Government's intention to set up new Direct-Grant Schools in advance of the manifesto. This proposal should then become part of the manifesto itself, and should be accompanied by a passage explaining the Government's determination to aim towards more parental choice in education.

The word "vouchers" should not be used, since it has become taboo. But the manifesto could include proposals to:

Education Credits

1. provide poor parents with an opportunity to send their children to independent schools, even if those children are not bright enough to qualify for the present Assisted Places Scheme; (this could be represented as an extension of the Scheme);
2. promise to set up more Direct-Grant Schools, where there is a demand for them;
3. enable county and voluntary-aided schools to transfer to direct-grant status, with the greater independence and reliance on per capita funding which that status implies. ||

Reasons in favour: These moves would, in effect, replicate the "voucher" system, which the Government failed to implement some years ago, since it would enable poorer parents to opt out of the maintained system and move towards customer-dependent provision of education within the maintained system. But, because the term 'voucher' would not appear, the proposal might be perceived for what it is - not a lunatic libertarian measure, but a sensible revision of the present system, which could increase pressure for higher standards in the maintained sector and offer an escape route for parents whose children are stuck in bad schools.

Arguments against: The proposals will be represented as an "attack on the maintained system"; some Conservative MPs (including, probably, Mr Heath and Mr Pym) will join the Opposition and the teachers' unions in attacking all such moves.

Assessment: The need for reform of maintained education has been highlighted by the political activities of inner city education authorities. As the education seminar showed, an escape route for inner city children could be popular with the Party, and could pave the way for general moves to make schools more independent and customer-related. There is an opportunity here, if Ministers are willing to take it.

Action: Set up a working-party of senior Ministers to work out detailed reforms and an appropriate Manifesto passage.

TRADE UNION REFORM

The proposal: Take the next step in reforming the Trade Unions. This could include:

1. rights for individual members to take court action when a union calls for a strike without a ballot;
 2. an end to the "pre-entry closed shop"; ✓
 3. a right for union members to take court action leading to the installation of receivers if a union puts its funds at risk by behaving illegally;
 4. extension of regular elections for union officers; ✓
 5. postal ballots and independent supervision for union elections, with the publication of results, branch by branch;
 6. closer definition of "fair ballots" to ensure that ambiguous questions are not asked; ✓
 7. an attack on "selective action"; (this might take the form of allowing employers to lay off workers if other workers in the same union were on strike in support of the same pay claim);
 8. removal of immunity for strikes in essential services, if current substantive agreements or procedure agreements are breached. *Have just to get procedure*
- g. enforceability of agreements between employers / T. unions*
- Reasons in favour: The Department of Employment should be coming to agreement E(A) within the next two months with a new Green Paper on Trade Union Reform. This is already six months late. Tom King proposed to issue such a paper this autumn. There is mounting pressure from the IOD and others for government action. Item (8) was a commitment in the 1983 Manifesto.

Arguments against: These moves will be stigmatised as unnecessary and provocative. The CBI and many employers will not support moves to end the "pre-entry closed shop" because they like negotiating with single unions.

Action: The aim should be to issue a Green Paper by the summer at the latest, and to keep the issue live right up until the election by issuing a White Paper in early 1987. The manifesto could then include a promise to introduce a Bill immediately following the next election. To provide added impact, the Bill could be published at the same time as, or shortly before, the Manifesto.

WIDER HOME-OWNERSHIP

The proposal: One-third of all council tenants will never, on current policies, be able to afford to buy their own homes. The choice of home-ownership could be extended even to those on basic Social Security if they received not only the direct subsidy now paid as Housing Benefit, but also some part of the indirect subsidy from ratepayers and taxpayers which is now spent by councils on their housing stock.

Each householder would receive:

- i. the mortgage payment on an indexed loan instead of Housing Benefit to cover rents; (the average mortgage payment would be lower than current rents);
- ii. a sum to cover service charges and repairs, replacing present indirect subsidies given by councils.

Reasons in favour: Giving even the very poorest the right to a capital stake in society is a vote-winner. And it can be done in such a way that the cost to the State is less than existing patterns of subsidy. This policy, if carefully developed and sensibly deployed, could strike at the very heartland of Labour.

Arguments against: Those who have already bought their homes will complain if poorer people get easier terms. Labour councils will try to maintain that sales of council houses diminish the local authority's capacity to meet demand for rented homes.

Assessment: Since the sale of council houses affects neither the number of homes nor the number of households, it cannot adversely affect homelessness. The policy would need careful costing, but it could ultimately be the route by which local authorities, who have proved themselves disastrously incompetent and wasteful as managers of housing, can be got out of housing altogether.

Action: A small DoE committee under Sir Peter Harrop, with representatives from building societies and the Bank of England, is now looking at poorer people's right to buy. Building societies like it because the security is good. We now need to await their findings and work the idea up into a Manifesto commitment. It could be an Election-winner.

A NEW COMPETITION ACT

The Proposal: Legislate to make competition policy effective.

Reasons in favour: Competition policy fails because:

1. Large areas of the economy, eg most of the public sector, and the trade unions, are protected from competition.
2. The DG of Fair Trading has very limited powers.
3. The numerous criteria by which mergers, monopolies and restrictive trade practices are assessed reflect political judgments.
4. The policy has no deterrent effect whatsoever on anti-competitive practices. Until an Order is made by a Secretary of State (and it rarely is) following a succession of enquiries, anyone operating a restrictive practice found contrary to the public interest incurs no liabilities.

Gradualist Approach: Improve present arrangements by, for example:

Providing the DG with more room for independent manoeuvre; exposing more areas of the economy to his investigations; making it easier for the OFT to reopen restrictive trade practices cases which experience has shown to be misjudged, eg the 1961 decision to uphold the cement industry's price cartel.

Radical Reform: Prohibit anti-competitive practices and open the way for a right of private action against those who adopt such practices. This would "privatise" competition policy to the extent that individuals took on some of the roles now performed by officials. Such a system would provide greater certainty and predictability for business.

Arguments against: It would be difficult for individuals to take on the kind of investigations currently performed by the MMC. Judges would have to take on the task of making economic evaluations. Small businesses might not be able to afford to take on big business.

Assessment: Vibrant economies (USA, Germany and Hong Kong) have effective competition laws. Britain has not. Outlawing anti-competitive practices would provide for the domestic market the spur to competition which Article 85 of the Treaty of Rome provides for trade between member states. This could open the way to private actions, which would both compensate the victims of anti-competitive behaviour and provide, for the first time in Britain, a powerful impetus towards competition. Changes in legal practice, such as contingency fees, class actions, possibly specialised courts, could make such a system workable.

Action: Carry out a fundamental review of competition policy with a new Competition Act, 1988, in mind.

CIVIL SERVICE RECRUITMENT

The proposal: Like the Jesuits, the Civil Service gets its administrative civil servants early, and so moulds them for life. Few administrators are recruited after the age of 28. It is very difficult for outsiders with another career behind them to join at any rank higher than Principal.

Similarly, it is difficult to leave the Civil Service and then return after, say, 10 years. Temporary secondments are increasing, but it is difficult to try out a completely different career and return if one wishes without falling behind in the career structure.

The proposal is to permit free movement into and out of the Civil Service at all stages and ages of a person's career, with open advertisement for more posts.

Reasons in favour: The proposal would tap new sources of talent and experience for Whitehall jobs - industry, City, law, academia. Terry Burns, Peter Levene, John Redwood, etc, show that outsiders can be effective in Whitehall.

It would also offer civil servants prospects of much more experience of the outside world, with a return ticket available.

Arguments against: It could be presented as an attempt to politicise the Civil Service and fill it with sound Tories.

Bureaucratic skills take a long time to learn.

Expensive in some areas - eg Treasury v. City - where there may be an even greater outflow with no corresponding inflow at current salary levels.

Disruptive change.

Assessment: If carefully handled, this proposal could act to boost Civil Service morale. It will also increase the variety of Whitehall officials. But you will have to pay market rates for good people from outside.

Action: Develop this proposal for the Manifesto.

TAX SIMPLIFICATION

The Proposal: Some work is already afoot on simplifying taxes. More needs to be done.

Candidates for a politically-attractive package of reforms include:

- the archaic system of income tax Schedules A-E, and the various "cases";
- the minor income tax allowances;
- taxation of husband and wife;
- the time limit rules for various elections and appeals;
- the different definitions of income for the purposes of national insurance and income tax (solved by aligning the rules, not by merging);
- capital taxes which are more complex than the old death duties but raise no more revenue.

Reasons in Favour:

- i. Computerisation will open up big opportunities during the next Parliament. Unless planning begins now, we may miss the bus.
- ii. Simplification should reduce burdens on business and encourage enterprise.
- iii. As the tax burden is brought down, so avoidance becomes less profitable and there may be scope for simplification.

Arguments Against:

- i. Inland Revenue are already overworked.
- ii. The trend in most Western countries is towards increasingly complicated tax law.
- iii. There will be protests from those who lose their special reliefs.
- iv. The removal of regulations might increase Revenue discretion.
- v. Tricky technical problems.

Assessment: Distinguished outsiders working for the Manifesto outside the official machine can see the wood for the trees, and not commit scarce Revenue manpower.

Action: Set up outside groups to study various aspects of tax simplification.