

MR TURNBULL

*McGray to me*

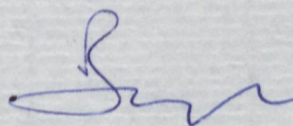
LOBBY PARTY

The FT has confirmed to me that today's Front Page story arose from the Lobby Party. Philip Stephens said he checked the rules with old hands and was assured he could report what was said provided he did not quote.

I said that I thought the Prime Minister, while recognising that whatever she said and wherever she said it was liable to be reported, would be rather fed up that she could not even go to a party these days without being on duty, as it were.

Anthony Bevins, the Independent, in his single-minded pursuit of the lobby system, is now reported to be doing a small piece tomorrow identifying the Prime Minister as the source of the FT and Telegraph stories.

I don't think we should worry too much about this. There was little new of real substance in what the Prime Minister said last night, set against what she has said in public before and my briefing.



**BERNARD INGHAM**  
January 25, 1989

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## Business confidence hit by curbs on inflation CBI warns

By Peter Norman,  
Economics Correspondent

THE Government's policy of using high interest rates and a strong pound to curb inflation has hit business confidence among British manufacturers and weakened export hopes.

In its latest quarterly survey of industrial trends, the Confederation of British Industry has cast doubt on whether manufacturers will be able to contribute significantly to any lessening this year in Britain's massive current account payments deficit.

However, industrial investment is continuing at a high level, suggesting that companies still hope government policies will succeed in damping consumer demand before having an adverse effect on output and profits.

The CBI's January survey of 1,300 companies, employing about half Britain's manufacturing labour force and responsible for roughly half the country's exports, found more managers were gloomier about the future than at any time since the summer of 1986.

In particular, they were significantly less hopeful about export prospects than in October at the time of the CBI's last quarterly survey.

In the intervening period, bank base rates were raised to 13 per cent from 12 per cent while the pound's trade weighted exchange rate rose by 2.3 per cent and has risen further since.

The number of manufacturers expecting a fall in exports over the next four months has more than doubled.

Paradoxically, there was a modest increase in the number of industrialists expecting an increase in new export orders

## Thatcher stands firm against joining EMS

By Phillip Stephens, Political Editor

MRS Margaret Thatcher has virtually ruled out full British membership of the European Monetary System during her third term of office despite growing pressure in the European Community for closer monetary co-operation.

She also remains unconvinced that the planned creation of the single European market in 1992 will persuade her to take sterling into the EMS exchange rate mechanism if she wins a fourth term in the election due by the same date.

For the short term, Mrs Thatcher has made it clear to Mr Nigel Lawson, the Chancellor, that efforts to reduce inflation must take priority over the Treasury's concern to stabilise sterling's value against the D-Mark.

The pound's recent rise against the West German currency has not dented her view that it is impossible for the Government to set targets both for inflation and for the exchange rate.

She is said, however, to be extremely angry over recent press reports that she has been at odds with the Chancellor over his strategy for the March budget.

Last year she vetoed an attempt by Mr Lawson to restrict mortgage interest relief to the basic rate of tax, but she is understood to reject completely suggestions that there has been a row over mortgage relief this year.

Mrs Thatcher's opposition to full membership of the EMS is well known but the approach of 1992 appears, if anything, to have hardened her opposition.

Her view is that the relative stability of the system in recent years will be undermined in the run-up to 1992. The greater freedom of capital movements associated with a single market will significantly limit the ability of central banks to "buck" the market.

She also sees the forced response in other EMS countries to the recent rise in West German interest rates as evidence of the inflexibility of the system.

In that context Mrs Thatcher remains sceptical that the Delors Committee of central bankers will be able to come up with concrete proposals to move the Community towards the creation of a single European currency or a Community central bank. The Committee is due to report on its deliberations to the Madrid summit of Community leaders in June.

More generally, Mrs Thatcher is understood to be fairly confident that the recent rises in interest rates are curbing the growth of consumer spending. She is also said to have been heartened by evidence in yesterday's survey from the Confederation of British Industry that investment is still growing strongly.

She has ruled out as impracticable in the short term any move to take mortgage interest payments from the retail prices index. Mrs Thatcher believes they would have to be replaced by some other measurement of housing costs and that would only be possible when the rate of increase in the RPI was slowing rather than accelerating, as at present.

## Wall St and \$ rise as Fed pledges to stabilise prices

## Correspondent

MEASURES aimed at making the police more efficient were announced yesterday by Mr Hurd, the Home Secretary.

Speaking at a Policy Studies Institute seminar, he turned down calls for a Royal Commission on the police and said he did not want to change the basis in which Britain is locally policed.

The measures were:

Better analysis of information in monitoring how the police use their money, staff, fleets and buildings;

Agreeing ways in which police performance can be measured more systematically;

Agreeing how to identify and adopt good practices;

Applying the work of outside bodies such as the Audit Commission;

Encouraging the public to be interested and involved in police work.

Mr Hurd's remarks come at a time when the independent magazine *Police Review* has come out in favour of a Royal Commission and when elements in the Police Federation are calling for a "great debate" on the changing nature of policing.

A number of independent bodies, such as the Audit Commission and the Policy Studies Institute, have criticised the efficiency of the police, while others have advocated a smaller police force.

**Neil Darbyshire**, Crime Correspondent, writes: More police to be detailed to streets in London both to combat crime and the public's fear of being attacked. Sir Peter Imbert, the Metropolitan Police Commissioner said yesterday.

Announcing his strategy for 1989, Sir Peter also stressed the need for an improvement in policing style to reflect an element of public concern.

Qual assault, mugging, sexual attack, child abuse and domestic violence were identified as the types of crime which are the most widespread public concern.

Mr Peter also said: "Increased efforts, locally, nationally and internationally, must be directed at the illicit trade in drugs, particularly in cocaine for which the United Kingdom is seen as a major and growing market."

## Transport Correspondent

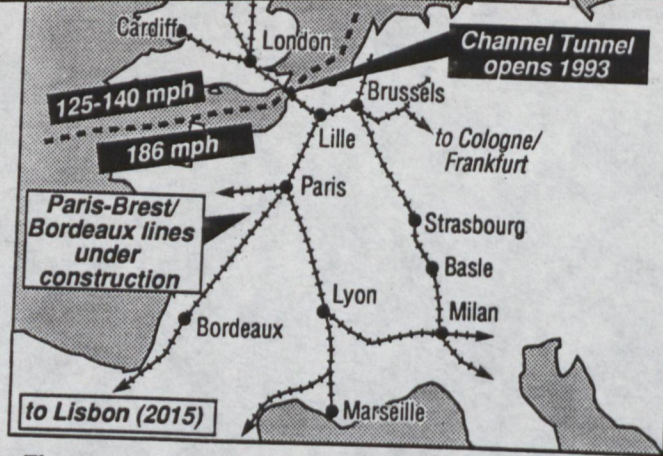
PLANS for a £60 billion high-speed train network round Europe, with Britain linked via the Channel tunnel, were put to the Common Market Commission in Brussels yesterday by Sir Robert Reid, chairman of British Rail.

It would provide services "twice as fast as a car but at half the cost of flying", he claimed.

Sir Robert is chairman of the Community of European Railways, which represents the 12 Common Market nations plus Austria and Switzerland.

Channel tunnel trains will eventually run on routes such as Manchester-Milan, Edinburgh-Cologne and Glasgow-Marseille, but their speed in Britain will be restricted by track and signal systems.

British Rail is not even sure it will win approval for a 186 mph line across Kent from the Channel tunnel to London, even though the trains will be designed to run at such a speed on the Continent.



The east-coast main line is currently being upgraded to operate with 140-mph trains. Electric services are due to start from King's Cross to Leeds next October and should be running to Edinburgh in 1991.

Initially they will travel at the same speed as the 125-mph diesels, with the pace being gradually increased.

In France, trains are already operating at 168 mph between Paris and Lyons. Even higher

speeds are planned on new lines, such as those now being built out of Paris to improve services to Brittany and Bordeaux.

France is expanding its high-speed network, with a route from Paris to Lille, Brussels and Cologne.

A spur from Lille to the Channel tunnel would enable trains to reach Paris from London in three hours. This could be cut to 2½ hours with a high-speed line in Britain.

# Thatcher veto on joining EMS

By George Jones  
Political Editor

MRS THATCHER has delivered a new blow to the drive by Mr Lawson, Chancellor, to establish stable exchange rates by ruling out British membership of the European Monetary Fund during the lifetime of this Parliament.

Although the Prime Minister is denying reports that she is at loggerheads with Mr Lawson over increasing tax relief on mortgages in the forthcoming Budget, it became clear last night that deep differences remain between them over the Government's longer-term economic strategy.

Mrs Thatcher has made clear to colleagues that she remains hostile to the EMS, which was the main source of last year's damaging rift between her and Mr Lawson over exchange rate policy.

She is insisting that reducing inflation must take priority over Mr Lawson's desire to stabilise the pound against other European currencies, particularly the German Deutschmark.

Nor does Mrs Thatcher accept that the pressures of the European single market in 1992 will force Britain to join the EMS. She believes that she can hold

out against it throughout her third term in power and beyond.

There is no sign either that Mrs Thatcher will back the Chancellor's campaign to remove mortgages from the Retail Price Index, the main indicator of inflation.

He has said it is "daft" for Britain to include mortgages in the RPI, and has blamed them for distorting the inflation rate and making it artificially high.

Mrs Thatcher believes some indicator of housing costs must be included in the RPI. There would also be political problems about taking out mortgage interest at a time when inflation was rising to its highest level for several years.

However, she has moved to quash speculation of a pre-Budget rift with Mr Lawson. According to recent reports, a battle of wills was developing between them, with the Chancellor persuading the Prime Minister to drop a campaign to lift the limit of tax relief on mortgage interest from its current £30,000 ceiling.

In recent weeks, she has over-

ruled the Chancellor and Mr Clarke, Health Secretary, to insist on the inclusion of tax relief on private medical insurance premiums for the elderly in the forthcoming review of the National Health Service.

Tory MPs have been alarmed by reports of a rift between Mrs Thatcher and Mr Lawson, particularly at a time when the economy is under pressure.

The indications are that while the longer-term differences remain, neither Mrs Thatcher nor Mr Lawson wants a row in the run-up to what will be his sixth and possibly final Budget.

● Mrs Thatcher wants to see the Private Member's Bill to introduce new privacy curbs on the press and broadcasters to be given an airing in the Commons.

She has made clear to colleagues that she is sympathetic to the aims of the Privacy Bill introduced by Mr John Browne, Conservative MP for Winchester.

Although Home Office ministers and the Lord Chancellor, Lord Mackay, believe the Bill is unworkable, Mrs Thatcher wants it to get a second reading on Friday so that it can be discussed in detail by MPs.

By John  
Trans  
Corresp

TRAINS planned by Rail's Network may not be safe if they will not run their length, the "watchdog" body Transport Consumers Committee, said yesterday.

The trains will be coach units, which are joined to form electric trains at peak times. Money there will be used for widening passageways and four-coach sections.

The committee planned to have the new trains.

There is not enough money for lavatories and a canteen between sections.

"We do not accept a toss-up between gangways," the committee said.

"Passengers should be provided with both facilities."

Standing passengers rather be able to sit seats further along than admire the front of each four. The same applied to find the guard in an

The new Network will replace ones which are, in some cases, divided into small compartments which have been used by robbers.

The committee will press Mr Chris Grayling of Network South East for a commitment to provide between all coaches.

British Rail said it will be connecting double-track lines and the four coaches in electric

Trains which operate on the Underground, would have through-current to help with evacuation in an emergency.

But corridors the length of a train were necessary for safety reasons, not using tunnels.

## NHS save £

Health authorities will save £110 million since 1988 by seeking competitive tenders for domestic catering at services five years ago. Roger Freeman, junior minister, said in a written answer yesterday.