

PRIME MINISTER

SUNDAY EXPRESS

You have agreed to give Robin Esser, Editor of the Sunday Express, an interview tomorrow (Friday) for an hour from 10.30am.

He will be accompanied by Tony Smith, political editor, and a photographer, Michael Stroud, who would like, for a change, to get a picture of you on the stairs against the background of former Prime Ministers.

COI will record and I will support you.

You can see from the Questions at Annex I that this will not be a taxing interview. BUT there are one or two difficult areas over which you will need to tread carefully.

- the row with the Chancellor; I should simply refuse to discuss it and say that there is absolutely nothing between you on the priority task: getting inflation down significantly
- re-shuffle; I think you must simply refuse to discuss it and, if possible, say that you have taken no decisions on either scope or timing
- Europe; here I think people want you to balance the need to defend British interests with a positive approach to the EC. Madrid gives you the opportunity. What you can legitimately say is that you have opened up the whole debate about the kind of Europe of the future - open, enterprising, free or inward-looking, bureaucratic, corporatist. (My draft remarks for the opening of Ludgate House last night are relevant - see Annex II).

Purpose of the Interview

You should use this interview to steady and rally your natural supporters among the six million or so who read the Sunday Express.



They want reassuring that you are full of beans, in command, steady under the heavy pressure you have been undergoing and confident.

You need to make it a brief, forward looking and non-recriminatory interview.

I suggested this evening to Robin Esser and Tony Smith that they should open up by asking you how you feel at the end of a tough week - Madrid, rail and tube strikes, mitigated by Kinnock's misfortune in the TGWU's and NUR's votes for unilateralism.

In response I should be unmitigatedly political:

- I think we did a good job in Madrid in getting the Community to stand back and think its way forward beyond the great prize of the single internal market. You can be sure Britain will make a big and constructive contribution to giving Europe future direction because we believe in a free trading, free enterprise Europe.
- It is interesting that only a week or so ago people were saying I was trying to do too much too quickly and now can't wait for us to privatise the railways. Why? Because people recognise that private companies have to look after their customers. It is disgraceful what the rail union bosses have been doing to the travelling public but they will not win because the public won't allow them to do so. The Government is considering how it might further protect the traveller who is entitled to a proper service.
- Mr Kinnock is bound to have trouble over defence - and other - policies because his party is led by a member of CND who for the most cynical reasons has embraced, for the time being and for purely vote grabbing reasons, a sort of opportunist multilateralism which would not last the outcome of the next election.

For the rest I also advocate a highly political response. Please make it politically a real fighting interview. Come out of your corner this weekend. You are bouncing back.

- be positive, enthusiastic about Europe and putting your hands to its rudder
- be realistic and determined about the economy (on which Paul Gray has done some notes at Annex III)



- demonstrate your commitment - based on study and conviction  
- about cleaning up the environment from litter to the ozone layer (current speaking note at Annex IV)
- do not spare the doctors for the disgraceful, vested interest way they in the surgery are distorting and misrepresenting your efforts to improve the service to the patient (see briefing at Annex V)
- be clear about your priorities - inflation, keeping spending under control, tax cutting, improving services in Britain whether to commuters, parents and schoolchildren, patients, home buyers etc; completing the single internal market and giving the EC real direction; clearing up the environment so that we hand on a more stable, safer world climate; and securing Britain's defences.

### Conclusion

What I would like to see in the next issue of the Sunday Express is a front page lead in which you commit yourself:

- (i) to fight and win the next election on the basis of your outstanding record
- (ii) to win the battle against inflation and extend Britain's 8 continuous years of growth indefinitely into the future, thus providing the money to finance a better life for all our citizens
- (iii) to build a dynamic Europe on the principles which are spreading wealth and prosperity across Britain
- (iv) to extend Britain's influence in Europe and the world on the basis of its economic strength, political principle and all round expertise.

This is what Sunday Express readers want to hear. Give it to them.

*Sarah Chasman*

*pp* BERNARD INGHAM  
June 29, 1989



Questions relating to the interview of the Prime Minister  
by Robin Esser on Friday, June 30th.

**EUROPE**

- 1 How seriously do you regard the result of the recent European elections in Britain?
- 2 Do you see the European election result as an adverse verdict on the Government's domestic policies?
- 3 Regarding Madrid, what is your reaction to suggestions that failing to go ahead quickly with full economic and monetary union will leave Britain lagging behind and damage our vital interests?
- 4 What is your own vision for Britain's future in Europe, and do you wish to take this opportunity to reply to the criticisms by Mr Heath and others within your own party?

**ECONOMY**

- 5 How disappointed are you that inflation has reached the present level, and when do you anticipate it will be squeezed down once again to a low level?
- 6 How did the present economic situation arise?
- 7 Do you have any further proposals, other than high interest rates, to reduce the balance of payments deficit?
- 8 Do you think Britain industry has let you down by failing to capitalise on export opportunities?
- 9 The persistent claims of policy differences between yourself and the Chancellor have proved unsettling. Do you wish to clear up any doubts that might still persist?
- 10 Is the nation's economic transformation still intact, or has the economy been blown off course?
- 11 Looking ahead, is your tax cutting goal of 20p in the £ for standard rate of income tax still achievable in the short to medium term?

**ENVIRONMENT**

- 12 You must rightly be given credit for putting global environmental issues high on the political agenda, but do people yet fully realise the expensive cost of a cleaner environment?
- 13 Will the proposed Green Bill take a major step towards a cleaner Britain?
- 14 Do you think the Government has a good record in protecting and preserving the environment?



## REFORMS

15 Some have suggested you have gone too far too fast with reforms of vested interests. Is it still full speed ahead for the Thatcher Revolution?

16 What do you think of the doctors' campaign against NHS reforms?

## UNIONS

17 What do you think of the NUR warning of two years of disruption for travellers on British Rail?

## SCOTLAND

18 How do you propose to win back essential support north of the border?

## OTHER

19 Do you intend making major mid-term changes to your Government team?

20 What do you see as the priority areas to be tackled in the next two years and beyond?

21 What do you think of Labour efforts to smarten up its image, especially on defence?



DRAFT SPEAKING NOTE

EXPRESS NEWSPAPERS PLC

THURSDAY, JUNE 29, 1989



Your leading article on my visit to  
Madrid this week noted that,  
contrary to expectations, I had  
escaped a "beheading" and - I quote  
- "returned remarkably unscathed".

Of course. As you can see.



And as the House of Commons has just  
discovered, for I have come here to  
open Ludgate House from reporting  
on the very satisfactory outcome of  
the European Council.

This is not the first new Headquarters  
of a national newspaper group I  
have opened in recent years.



The quite remarkable scattering of Fleet Street around the Thames has provided me with quite a bit of extra work.

It is a task I am delighted to take on because this diaspora flows from the industry's new profitability. And that in turn springs from this Government's labour legislation and your ability to use modern production technology.



It makes me very happy to be a part of  
your prosperity.

Ludgate House, housing the Daily  
Express, the Sunday Express, the  
Daily Star and United Newspapers &  
United Publications, is testimony  
to the regeneration under the  
Government I lead of the national  
newspaper industry.



It is also a new chapter in the long  
evolution of the Thames.

In its time this site has been a  
moated manor, a theatre of the most  
unsavoury reputation, an  
unspeakably lucrative bull and bear  
baiting pit, a haunt of the famous  
and professionally infamous, and  
more latterly - until 2 years ago  
precisely - a neglected mud heap.



And for years trains bound for St  
Petersburg, Vienna, Constantinople  
and Rome traversed its length.

Now you send out from here reporters to  
the ends of the earth to cover the  
momentous events of our times.



Sometimes they will travel with me.

Long may they send back dispatches  
which inspire headlines like  
yesterday's - "Maggie pulls it  
off".

I intend to give you plenty of  
opportunities.

For there is a great deal to be pulled  
off in just one part of the world  
today - namely Europe.



I recognise - and sympathise with - the aspiration, especially among our young people, to be a part of a dynamic, resurgent Europe.

The argument about whether we should be in or out of Europe is dead.

And I think I can claim, more than most, to have killed it.



Indeed, I think my Ministerial  
colleagues and I can reasonably  
argue that we have been  
instrumental in bringing the  
European Community to the  
springboard on which it finds  
itself today.

We ended the British grievance over its  
contribution to the Community.



We paved the way for a Common  
Fisheries Policy.

We brought the excesses of the Common  
Agriculture Policy under control.  
And thereby rescued the Community  
from impending bankruptcy.

We have played a major part in getting a  
common European approach to world  
crises and issues.



We supply a lot of the drive behind the single internal market which holds out such opportunities for British commerce and industry.

And now, as a result of our success in Madrid this week, we have opened up the whole argument about the future development of the European Community.

What kind of Europe is it to be?



I have no doubt.

Nor do I think there are any  
doubts in Ludgate House.

It is a free trading Europe not a  
fortress Europe.

It is a fully competitive Europe not a  
bureaucratically bogged down and  
burdened Europe.



It is a Europe rich in its diversity  
of language, custom and traditions  
with its member States doing  
together what we can better do as a  
team rather than individually.

And it is a prosperous, outward looking,  
reliable and just Europe playing a  
formidable role in search of a  
better, cleaner and safer world.



Among so many friends here today I seek  
your support, in your new home, in  
pursuing that kind of vision which  
I know you share.

It therefore gives me great pleasure to  
open Ludgate House, the new  
Headquarters of Express and United  
Newspapers.



To wish every success for your  
distinguished titles and your  
operations.

And I wish you well in bringing a new  
dynamism to this historic part of  
London.



ECONOMY

5. How disappointed are you that inflation has reached the present level, and when do you anticipate it will be squeezed down once again to a low level?

- Of course it is disappointing.
- But as soon as it was clear inflation was picking up again we quickly took the necessary action.
- Always a lag before higher interest rates bring inflation back down; short-term perverse effect on mortgage rates.
- Not prepared to give precise forecasts, but expect that, as we move into second half of the year, RPI will start to come down. Determined to ensure that process is then continued. Will keep interest rates at whatever level is necessary for as long as is necessary.

6. How did the present economic situation arise?

- Look first at what the present economic situation really is:
  - eighth year of growth over 3 per cent;
  - business investment highest ever share of GDP;
  - fastest growth of jobs in EC; 3 million since 1983;
  - real take-home pay of married man on average earnings with two children up nearly a third since 1978-79.
- Not a bad record!



- But must correct inflation and balance of payments. Present position reflects economic growth faster than expected. With benefit of hindsight, monetary policy probably was too loose in 1987-88; interest rates should have been higher.
- But don't forget how fragile conditions were after the crash in Autumn 1987. There was a very real risk of recession.

7. Do you have any further proposals, other than high interest rates, to reduce the balance of payments deficit?

- All our policies are geared to producing more competitive and enterprising businesses.
- Present deficit reflects over strong growth leading to rapid growth of imports. Higher interest rates are a very well targetted weapon for curbing that growth. First tentative signs from the latest trade figures that import growth is slowing.

8. Do you think British industry has let you down by failing to capitalise on export opportunities?

- Balance of trade difficulties mainly reflects imports not exports.
- Export performance is encouraging; underlying volume in the last three months 7 per cent up on a year ago.
- Of course we can do better still, by all exporters raising their efforts to the levels of the best, eg more commitment to languages.

9. The persistent claims of policy differences between yourself and the Chancellor have proved unsettling. Do you wish to clear up any doubts that might still persist?



- Have repeatedly drawn attention to the excellent record of both the present Chancellor and his predecessor.
- Have both made clear, in TCSC evidence and in Madrid, our common approach on the ERM.

10. Is the nation's economic transformation still intact, or has the economy been blown off course?

- No-one comparing 1989 with 1979 can doubt the enormous transformation.
- The new strength is still there and growing. But you can never let up in the fight against inflation, and the corrective action we have taken will work, just as in 1985.

11. Looking ahead, is your tax cutting goal of 20p in the £ for standard rate of income tax still achievable in the short to medium term?

- We have never set a time limit on the 20p goal. The Chancellor made clear we would move towards it when it is prudent to do so.
- We will keep public finances sound. Further progress on tax reductions must depend on continuing success in holding down public expenditure and getting better value for money from our spending programmes.



Issued jointly with the Central Statistical Office (CSO)

**Press enquiries:**  
Visible Trade 01-215 4474/5060/5066  
Invisibles 01-270 6357  
Balance of Payments and Economy 01-270 5238

**Non-Press enquiries:**  
Visibles 01-215 4894/4895/5130  
Invisibles 01-270 6363/6364

Date 27 June 1989

Ref No 89/465

### The current account of the United Kingdom balance of payments

MAY 1989

The current account for May, seasonally adjusted, is estimated to have been in deficit by £1324 million compared with a deficit of £1755 million in April. In May, exports - seasonally adjusted on a balance of payments basis - were valued at £7575 million and imports at £9299 million so that the trade in goods was in deficit by £1724 million.

The balance on invisibles is projected to be in surplus by £400 million, a large surplus on the transactions of the private sector and public corporations being partly offset by a deficit on Government transactions.

#### Note on the interpretation of recent trade figures

On the evidence available it is not possible to assess whether there have been increased flows of trade during April and May in advance of possible strike action at the ports. Changes in the volume of trade fall well within normal month-to-month fluctuations.

#### CURRENT ACCOUNT

**Table 1**

£ million, Seasonally adjusted

	Current Balance	Visible Trade		Invisibles Balance <sup>b</sup>	
		Balance	Exports fob		Imports fob
1987	- 2906	-10174	79421	89594	+ 7268
1988	-14936	-20557	80157	100714	+ 5621
1988 Q1	- 2987	- 4020	19042	23063	+ 1033
Q2	- 2883	- 4538	20224	24762	+ 1655
Q3	- 3483	- 5696	20718	26414	+ 2213
Q4	- 5584	- 6304	20171	26475	+ 720
1989 Q1	- 4832	- 5859	21617	27476	+ 1027
1988 DEC	- 1523	- 1763	6902	8665	+ 240
1989 JAN	- 1659	- 2001	7423	9424	+ 342
FEB	- 1837	- 2180	6798	8978	+ 343
MAR	- 1335	- 1677	7396	9073	+ 342
APR	- 1755 <sup>a</sup>	- 2155	7143	9297	+ 400 <sup>a</sup>
MAY	- 1324 <sup>a</sup>	- 1724	7575	9299	+ 400 <sup>a</sup>
DEC-FEB 1989	- 5020	- 5945	21122	27067	+ 925
MAR-MAY 1989	- 4414 <sup>a</sup>	- 5556	22114	27670	+ 1142 <sup>a</sup>
JAN-MAY 1989	- 7910 <sup>a</sup>	- 9737	36334	46072	+ 1827 <sup>a</sup>

<sup>a</sup> Invisibles for April to May 1989 are projections.

<sup>b</sup> Monthly figures are one third of the appropriate calendar quarter's estimate or projection.

Information relating to credits and debits can be found in Table 3.  
Department of Trade and Industry, 1 Victoria Street London SW1H 0ET. Out of Hours Tel 01-215 7877 Fax 01-222 4382



## MARCH TO MAY 1989

In the three months ended May, the current account showed a deficit of £4.4 billion compared with a deficit of £5.0 billion in the previous three months. There was a deficit on visible trade of £5.6 billion in the latest three months compared with a deficit of £5.9 billion in the three months ended February. The surplus on invisibles in the latest three months is projected at £1.2 billion.

### VISIBLE TRADE IN MAY

There was a deficit on visible trade in May of £1724 million compared with a deficit of £2155 million in April. There was a deficit on oil of £16 million, compared with a surplus of £83 million in April. The deficit on non-oil trade decreased by £530 million.

Total exports in May were valued at £7575 million, which was £432 million (6 per cent) higher than in April. Exports of oil fell £89 million but exports of the erratic items rose by £243 million between the two months. Excluding oil and the erratic items, exports rose by 4½ per cent between April and May.

Total imports were valued at £9299 million in May, which was hardly changed from the April figure. Imports of oil were little changed between the two months but imports of the erratic items increased by £123 million. Excluding oil and the erratic items, imports fell by 1½ per cent between April and May.

### RECENT TRENDS

#### Visible balance

In the three months ended May, there was a deficit on visible trade of £5.6 billion - a surplus on trade in oil of £0.2 billion being offset by a deficit on non-oil trade of £5.7 billion. Between the three months ended February and the latest three months, the deficit on visible trade fell by £0.4 billion; the surplus on oil decreased by £0.1 billion while the deficit on non-oil trade decreased by £0.4 billion.

#### Exports

Exports amounted to £22.1 billion in the three months ended May, £1.0 billion (4½ per cent) more than in the previous three months. Exports of oil rose by £0.2 billion while exports of the erratic items rose by £0.3 billion. Excluding oil and the erratic items, exports increased by 2½ per cent between the three months ended February and the latest three months.

By volume, exports rose by 1½ per cent between the three months ended February and the latest three months and were 1½ per cent higher than in the same period a year earlier. Excluding oil and the erratic items, export volume rose by 1 per cent in the latest three months and was 7 per cent higher than in the same period a year earlier. It appears that the underlying level of non-oil export volume is continuing to rise.

#### Imports

Total imports were valued at £27.7 billion in the latest three months, £0.6 billion (2 per cent) higher than in the previous three months. Imports of oil and imports of the erratic items each rose by £0.2 billion. Excluding oil and the erratic items, imports rose by ½ per cent between the three months ended February and the latest three months.

Total import volume in the latest three months was 1½ per cent higher than in the previous three months and 14 per cent higher than in the same period a year earlier. Excluding oil and the erratic items, import volume was little changed in the latest three months but was 13 per cent higher than in the same period a year earlier. The underlying level of non-oil import volume appears to have been growing more slowly in recent months.



### Terms of trade and unit values

The terms of trade index rose by 1 per cent between the three months ended February and the latest three months with the export unit value index increasing by 3 per cent and the import unit value index increasing by 2 per cent. Compared with the same three months a year earlier, the export unit value index rose by 7 per cent and the import unit value index increased by 4½ per cent. As a result the terms of trade index is 2½ per cent up on a year earlier.

Export unit values for fuels rose by 18 per cent between the three months ended February and the latest three months while the unit value index for non-oil exports rose by 1½ per cent.

Import unit values for fuels rose by 9½ per cent between the three months ended February and the latest three months while the unit value index for non-oil imports increased by 1½ per cent.

### Analysis by area

Exports to the developed countries rose by 6½ per cent between the three months ended February and the latest three months. Exports to the European Community countries rose by 8 per cent over the latest three months; exports to North America rose by 1½ per cent and exports to the other developed countries increased by 9 per cent. Exports to the developing countries increased by 8 per cent between the three months ended February and the latest three months.

Imports from the developed countries increased by 1 per cent over the latest three months, with arrivals from the European Community countries down by 1 per cent and from North America up by 1½ per cent. Imports from the other developed countries were up by 2½ per cent and imports from the developing countries increased by 1½ per cent between the three months ended February and the latest three months.



RECORDS

VALUE	EXPORTS	TOTAL
		TOTAL LESS OIL
		TOTAL LESS ERRATICS
		TOTAL LESS OIL AND ERRATICS
		MANUFACTURES

  

VOLUME	EXPORTS	TOTAL
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previous records for above all January 1989

MAY

Visible trade

The visible trade deficit in May was £1.7 billion, £0.4 billion lower than in April. Changes in oil and the erratic items were largely offsetting, so that the visible trade deficit excluding oil and the erratic items also fell by £0.4 billion.

Did the threat of a dock strike affect May trade?

On the evidence available, it is not possible to assess whether there have been increased flows of trade in advance of possible strike action at ports. The rises in the volume of April imports and May exports are well within normal month-to-month fluctuations. It is thought that the effect of such an acceleration of trade would be, if anything, to increase the deficit slightly.

There is clear evidence from the May figures of a diversion of exports from scheme to non-scheme ports, but the picture for imports is more confused.

The statements about trends in the underlying level of exports and imports are subject to more uncertainty than usual because of the possibility that trade has increased ahead of strike action.

Why were exports up in May?

Exports in May rose by £0.4 billion but some of this rise (£0.2 billion) was due to the erratic items, partly offset by a fall of £0.1 billion in oil exports. Excluding oil and the erratic items, the rise in exports was £0.3 billion (4 1/2%), concentrated in manufactures.

What happened to imports in May?

Imports hardly changed between April and May. Imports of the erratic items rose by £0.1 billion, but imports of oil were little changed. Excluding oil and the erratic items, imports fell by £0.1 billion (1 1/2%). The fall in imports was evident in most sectors of manufacturing, but imports of passenger motor cars were up £0.1 billion.

Why was there an oil deficit in May?

Exports of oil fell by £89 million in May and imports rose by £10



million. As a result oil trade was in deficit by £16 million. A small surplus in crude oil was offset by a deficit in petroleum products. May was the first month to bear the full effect of the interruption to supplies from Cormorant Alpha. As a result exports were down and petroleum products were imported to meet demand. Also more higher priced light crude was imported this month to make up for loss of supplies from Brent, so that unusually import average values exceeded those for exports.

#### Erratic items

The increase in trade in the erratic items in May was largely due to the import of new aircraft and the consequent export of the second-hand aircraft which they replaced.

#### LATEST THREE MONTHS

##### Visible Trade

The visible trade deficit for the three months ending May - £5.6 billion - was £0.4 billion less than in the previous three month period. Excluding oil and the erratic items, the fall in the visible deficit was £0.3 billion.

##### Trade in oil

By value, exports of oil are up by 18 per cent in the latest three months; a fall of 1 per cent in the tonnage of crude oil exported was offset by a rise of 23 per cent in the average value per tonne. Exports of other petroleum products were also up, by 11 per cent.

Imports of oil were up by 28 per cent in the latest three months; crude oil tonnages were down 11 per cent but average values were up by 33 per cent. Imports of other petroleum products were up 46 per cent. Compared with the same period a year earlier, imports of crude oil tonnages were up 23 per cent and imports of petroleum products were up 31 per cent; the increases are attributable to interruptions to UK supply, the high level of domestic demand and the underlying downward trend in UK oil production.

The balance of trade in oil in the latest three-month period was £180 million, £51 million less than in the previous three months.

##### Trade by commodity (volume)

Exports of food, drink and tobacco up 7 1/2% in latest three months on previous three month period; passenger motor cars up 7%.

Imports of food drink and tobacco up 7% in latest 3 months over previous three month period; imports of passenger motor cars down 11%.

Deficit in crude balance of trade in passenger motor cars fell from £1.3 billion in three months ending February to £1.0 billion in the latest three months.

##### Trade by area

Exports to EC up 8% and to other developed countries up 9% in latest three months. Exports to developing countries other than oil exporters



ENVIRONMENT

ACID RAIN

UK SPENDING £2 BILLION TO REDUCE  
1980 SULPHUR DIOXIDE (SO<sub>2</sub>)  
EMISSION LEVELS BY 60 PER CENT  
BY 2003, AND 1980 NITROGEN OXIDE  
(NO<sub>x</sub>) EMISSION LEVELS BY 30 PER  
CENT BY 1998. SECOND LARGEST  
PROGRAMME OF ACTION IN EUROPE.

UK EMITS LESS NO<sub>x</sub> PER HEAD THAN  
SWEDEN, NORWAY, FINLAND DENMARK,  
NETHERLANDS, WEST GERMANY, USA.

LESS SO<sub>2</sub> PER HEAD THAN FINLAND,  
USA.



WATER

95 PER CENT OF UK RIVERS GOOD OR  
FAIR. EQUAL FIRST IN EC.  
SPENDING TO IMPROVE STANDARDS:  
£1.2 BILLION THIS YEAR.

CAPITAL SPENDING: LABOUR - 20%,  
GOVERNMENT +30%.

LABOUR NEVER IMPLEMENTED PART 2  
OF CONTROL OF POLLUTION ACT ON  
RIVER POLLUTION.



## SEWAGE

85% OF SEWAGE TREATED BEFORE  
DISPERSAL - HIGHEST FIGURE IN  
EC. £1 BILLION PROGRAMME TO  
1992 TO IMPROVE SEWAGE WORKS.  
LABOUR CUT SEWAGE INVESTMENT BY  
50%, KEPT NO CENTRAL RECORDS OF  
TREATMENT WORKS' PERFORMANCE.

## BEACHES

EC BATHING DIRECTIVE 1975:  
LABOUR FAILED TO IDENTIFY SINGLE  
BATHING WATER IN 4 YEARS; NOW  
67% MEET EC STANDARDS. UK ONLY  
EC COUNTRY WITH PROGRAMME TO  
ENSURE FULL COMPLIANCE IN 1990S.



NORTH SEA

BRITAIN ACCOUNTS FOR 50% OF  
COASTLINE BUT ONLY 20% OF  
RIVERBORNE POLLUTION. RHINE  
ALONE CONTRIBUTES 40-50%.

GERMANY BURNS 30 TIMES AS MUCH  
WASTE IN THE NORTH SEA AS  
BRITAIN.



WASTE

UK AMONG FIRST TO IMPLEMENT EC  
TRANSFRONTIER SHIPMENTS OF  
HAZARDOUS WASTE DIRECTIVE.

RADIOACTIVE DISCHARGES INTO  
IRISH SEA CUT BY 90% SINCE 1979.



## UNLEADED PETROL

NOW AVAILABLE AT MORE THAN HALF  
OF ALL GARAGES. SALES MUCH  
HIGHER THAN FRANCE OR ITALY.  
SECOND HIGHEST DUTY DIFFERENTIAL  
IN EC.

## WILDLIFE AND COUNTRYSIDE

OVER 5,000 SITES OF SPECIAL  
SCIENTIFIC INTEREST PROTECTED  
UNDER WILDLIFE AND COUNTRYSIDE  
AT 1981. UK LED EUROPE IN  
PRESSING EC-WIDE BAN ON IVORY  
IMPORTS AND IN BABY SEAL  
PRODUCTS.



H/4

~~Survey of GPs re Practice Budgets~~

Line to Take

re Practice Budgets

Then

Whether a ~~...~~ is a matter ~~...~~ - we know however that a significant level of interest has been shown by eligible doctors. Despite the concerted campaign of misinformation, almost 15% are keen to participate and more than a quarter appear to be waiting for further details. The budget proposals offer GPs freedom of choice and the opportunity to back their judgements on care with cash.



SELF GOVERNING HOSPITALS

Line to take

The consultants' letter recognises the value of RMI and I welcome their support for this. We recognise that the Resource Management Initiative and the NHS Review involve a large number of changes. But none have to be introduced overnight. The NHS Management Board have asked hospitals to indicate whether they are interested in self-governing status, on a no commitment basis so that the necessary details can be finalised.

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BRIEFING FOR THE PRIME MINISTER - TUESDAY 4 APRIL 1989

Independent April 3: RCN "Campaign" on NHS Review

Line to take

1. I am sure the RCN agrees with the objectives of the White Paper which will

- give patients, wherever they live, better health care and greater choice of the services available and
- produce greater satisfaction and rewards for those working in the NHS who successfully respond to local needs and performances.

2. The White Paper proposals will be implemented. Contributions and constructive criticism which are aimed at putting the proposals into practice by 1991 are welcomed.

14,000 MORE DOCTORS & DENTISTS

36% more in real terms

67,000 MORE NURSES & MIDWIVES

45% more in real terms

1 1/2 MILLION MORE IN-PATIENTS



of resources with which to provide services under the parent Act, the Chronically Sick and Disabled Persons Act 1970? When will he respond to the just demands of disabled people and their organisations?

**Mr. Freeman:** The Government announced yesterday that there would be a response to Griffiths before the summer recess, and that there will be a debate, in Government time, at the appropriate time thereafter. The issues that the right hon. Gentleman raises will be addressed then.

### Electoral Registration

9. **Mr. Harry Barnes:** To ask the Secretary of State for Health in how many constituencies in England electoral registration has fallen by 1,000 and more in the last year and if he will make a statement.

**Mr. Freeman:** The Office of Population Censuses and Surveys is responsible for statistics relating to electoral registers. A volume entitled "Electoral Statistics 1989" is available in the Library. This indicates that the electoral register fell by 1,000 or more in 76 English constituencies between 1988 and 1989, and there were increases of 1,000 or more potential voters in 63 constituencies.

**Mr. Barnes:** The report by the Office of Population Censuses and Surveys shows also that there was a decline in England of 82,491, and offered as a reason for this that, as it could not be demographic changes or migration, it could have something to do with registration or with the postal strike of 1988. Unfortunately, the postal strike does not account for a similar collapse in Scotland between 1987 and 1988. Who is fiddling the franchise in Finchley and another 75 constituencies in England? Is this the only way that the Government feel that they can hold on to seats?

**Mr. Freeman:** I am somewhat baffled by that supplementary question. My right hon. Friend the Home Secretary is responsible for the electoral registration procedures and the franchise is not being fiddled.

**Mr. Jessel:** As to demographic aspects of the electoral register, has my hon. Friend any information about how many centenarians are on the electoral register? Are they not tending to increase in number, and does this not show an improvement in the nation's health?

**Mr. Freeman:** Yes. What is more, the doctors' contract makes specific provision for improving care for the very elderly through doctors visiting the over-75s on an annual basis and paying higher capitation fees for the elderly.

### NHS Reform

10. **Mr. Andrew Smith:** To ask the Secretary of State for Health what further representations he has received in respect of his proposals to cash-limit general practitioners' budgets.

**Mr. Mellor:** General practice budgets are not to be cash-limited.

**Mr. Smith:** Under the White Paper proposals, both the larger practices that become budget holders and all the rest, through the indicative budgets set for family practitioner committees on drugs costs, will be subjected to cash limits. Is it not the case that that can only have the

effect of undermining the confidence of patients in the doctor-patient relationship, as the cash considerations threaten to displace medical considerations? As a result, patients will increasingly fear that the cost of their treatment rather than the medical need for their treatment will take priority. Will this not damage the most valuable part of the NHS?

**Mr. Mellor:** The hon. Gentleman builds a house on sand because his basic premises are completely wrong. First, in terms of large practices, anyone who chooses to have a practice budget will choose to do so because he believes that he can operate effectively within it. That is quite different from an imposed cash limit. Secondly, if the hon. Gentleman really thinks that an indicative drug budget is the same as cash limit, he is being misleading. He should know that an indicative budget is a way to show general practitioners where their prescribing practices place them compared with others. I am happy to repeat that once again. Every patient will get the drugs that he needs, and that is a pledge.

**Mr. McCrindle:** In view of the predictable opposition to indicative drug budgeting by the pharmaceutical companies, will my hon. and learned Friend the Minister take this opportunity to restate what he sees as the benefits to patient care of the Government proposals?

**Mr. Mellor:** It will be in the interests of patients who really need drugs, particularly expensive drugs and there should be proper control of budgets to allow us in future to pay for the drugs that patients need. I know of no other enterprise for which £2,000 million of expenditure would be treated on the basis that those who sign the prescription forms can do anything they like. There is no threat to patients because doctors are being put under some pressure to prescribe generically instead of prescribing branded drugs which are twice as expensive. If we are to find the elbow room to afford the wonder drugs of the future, we must be sensible about not paying excessively for less than wonderful drugs which are merely branded instead of generic.

### NHS Reform

11. **Mr. Tony Lloyd:** To ask the Secretary of State for Health if he will make a statement on reaction in the North Western regional health authority to his recent White Paper.

**Mr. Mellor:** Reaction from the authority has been most positive. Members of the authority had an opportunity to consider the Government's White Paper "Working For Patients" at a seminar arranged in the region on 17 April. Since then the authority has forwarded to the Department expressions of interest in self-governing status from eight hospitals and one community unit, and in doing so they drew attention to the need, which we fully accept, to protect medical education and research.

**Mr. Lloyd:** Will the Minister take into account the fact that of the eight hospitals in the north-west region, four of them—Christies, Manchester Royal infirmary, St. Mary's and the Royal Eye hospital—are not simply district-based services, but provide regional specialities? Does the Minister recognise that the medical professionals, the ordinary people in the street and the whole of public opinion in the north-west is hostile or suspicious of the



BRIEFING FOR THE PRIME MINISTER - THURSDAY 29 JUNE 1989  
MR MELLOR'S PLEDGE ON INDICATIVE DRUG BUDGETS

LINES TO TAKE

- \* If hon Members opposite would take the trouble to read the White Paper they would see that my hon and learned Friend was simply repeating the pledge contained in it.
  
- \* The objective of the indicative drug budget scheme is to place downward pressure on expenditure on drugs and to encourage the removal of excessive and unnecessary prescribing but "without in any way preventing people getting the medicines they need".
  
- \* Through this scheme prescribing can be improved and wasteful expenditure avoided which I am sure even hon Members opposite will agree will be for the benefit of the NHS as a whole.



EXTRACT FROM WHITE PAPER "WORKING FOR PATIENTS"

**Indicative drug budgets**

- 7.15 The Government now proposes to build on these arrangements through a system of indicative drug budgets for GPs. The objective of this scheme is to place downward pressure on expenditure on drugs, particularly in those practices with the highest expenditure, but without in any way preventing people getting the medicines they need. In this way prescribing can be improved and wasteful expenditure avoided, for the benefit of the NHS as a whole.
- 7.16 Each year the provision made for FPS drug costs in the Parliamentary Estimates will be divided into separate firm budgets among the 14 health Regions, and RHAs will set drug budgets for each FPC on the basis of reasonable assumptions about prescribing costs in the FPC's area. FPCs will then set indicative budgets for each practice in discussion with the GPs themselves, taking into account both existing prescribing costs and the average for practices in similar circumstances. In determining the total amount available for drug spending, the Government will provide for the medicines which people need, to be supplied at reasonable prices, and will allow for the introduction of new drugs. The amount determined for a particular year may subsequently need to be revised as a result, for example, of severe cold weather or an influenza epidemic, but otherwise RHAs and FPCs will be expected to work to the budget they have been given.
- 7.17 FPCs will need to monitor spending during the year and discuss with any practice which appears likely to exceed its indicative budget the reasons for this - which may of course be entirely acceptable - and any steps it should take to curb spending. RHAs in turn will monitor the performance of FPCs. Any overspending will be taken into account when the following year's overall regional allocations are determined. The PACT information will be used initially to monitor spending against budgets, but because this is derived from prescriptions sent by pharmacists for pricing and payment there will inevitably be delay in providing doctors with the necessary information on this basis. An improved information system will therefore be needed before the new scheme can operate fully. Subject to further consideration of the details of the scheme, the Government will aim to introduce it with effect from April 1991. In the meantime action to encourage more economical prescribing, through the dissemination of information and monitoring of GPs, will continue.



### **The operation of the scheme**

7.18 The Secretary of State for Health will publish shortly a working paper which will set out the detail of how the scheme will be implemented, for discussion with interested parties. The paper will cover:

- the factors to be taken into account and the weight to be attached to each of them in setting indicative budgets for practices;
- how best to provide up-to-date information about doctors' prescribing;
- the place of local formularies (locally agreed lists of drugs which would normally be prescribed in the majority of cases) by which FPCs and District Health Authorities (DHAs) can establish rational prescribing policies covering both the FPS and the hospital and community health services in the area.

7.19 Where a GP practice exceeds its indicative budget, the FPC's first recourse will be to offer advice and, where necessary, to bring a process of peer review to bear on the GPs' prescribing practices. The Government will also seek powers to enable FPCs to impose financial penalties on GPs who persistently refuse to curb excessive prescribing. The working paper referred to in paragraph 7.18 will cover the detailed application of these sanctions.

7.20 As part of the drug budget scheme, it will be possible for an FPC to agree with its GPs that they should aim for expenditure lower than the drug budget which the RHA had given to the FPC. In these cases, where the target is achieved, half the saving will be retained by the FPC and spent on schemes of improvement in primary health care in their areas as agreed with their GPs. For the first time, this will give the medical profession a positive incentive, linked to their interest in improving primary health care, to encourage cost-effective and prudent prescribing.



BRIEFING FOR THE PRIME MINISTER - THURSDAY 29 JUNE 1989  
THE "INDEPENDENT" ARTICLE ON RESTRICTION OF GP REFERRALS

LINE TO TAKE

When districts place contracts they will be expected to take account of GP referral practices and wishes after consultation with them. For the minority of cases where GPs wish to refer patients to hospitals with which no contract has been placed, the district health authority will maintain a contingency fund. The arrangements for administering this contingency fund will be discussed with local GPs to ensure they are simple, quick and non-bureaucratic.

BULL POINTS

- \* DHAs will seek to place contracts which secure the referral patterns local GPs want.
- \* In an emergency GPs will always be able to make the referral they judge best, whether or not a contract is in place.
- \* As now all emergency admissions and treatments will be immediate



29 JUN 1989

THE INDEPENDENT

## 6 HOME NEWS

# Hospital choice 'to be restricted' in new NHS market

FAMILY DOCTORS in the new-style health service will need permission from their health authorities to send patients to hospitals which do not have a contract with the district, according to David Mellor, the Minister for Health.

The right of GPs to refer patients to hospitals of their choice in the new NHS market is emerging as one of the most difficult issues the Government is facing.

Under the new system, districts will consult GPs on where they currently send patients before placing the first contracts for hospital care. They will also discuss changing doctors' referral patterns if the district believes it can get better value for money or quality elsewhere. In addition, ministers have said health authorities will need to keep a "back pocket" so that GPs can still send patients to hospitals with which they do not have a contract.

But Dr Michael Wilson, chairman of the British Medical Association's family doctors committee, said: "When we saw Mr Clarke with Mr Mellor, he said that while GPs would be able to refer outside the existing con-

By Nicholas Timmins  
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tracts, the GP would have to get prior permission from the district to do so — and then only if there is sufficient money left in the district's contingency reserve.

"It does make us wonder what happened to all those fine words about choice for patients."

Mr Mellor said: "Permission makes it sound like a heavily bureaucratic procedure, but they will need the agreement of the districts for that to take place. The district will be the purchaser."

He insisted that would not mean any greater restriction than exists at present on where patients are sent. Under the existing system, GPs can, in theory, refer to any hospital. But GPs know that if they send all patients to one hospital, the waiting list would become impossible. And because hospitals have fixed budgets, more have been refusing to take certain patients from outside their boundaries.

Mr Mellor said that under the new system, in which money follows the patient, successful hospitals would attract more cash as they attracted more patients. "In practical terms, the GP's freedom to refer will be enhanced, not reduced," he said.

But Dr Wilson said: "I don't think that's the reality, and I find it quite disturbing. In reality, family doctors are going to find themselves quite constrained."

"Patients and GPs are going to be very cross and upset when they discover they have to ring someone at the health authority to find out first if they can go against the pattern that's been agreed of where patients can be sent, and then whether there's enough money left to do it. I don't see how it's going to work."

Last week Kenneth Clarke, Secretary of State for Health, told a conference on self-governing hospitals that GPs would still be able to refer patients to non-contracted hospitals. But he said this would need to be "subject to some safeguards" to ensure that large numbers of referrals did not make budgeting impossible.