

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 20 OCTOBER

The meeting is scheduled to take place after Misc 128 at the end of the morning.

I have agreed the following agenda with the Chancellor's Office:

1. Mansion House Speech

The Chancellor has been working on this during the afternoon, and we have only just got a draft. You will want to consider whether you have any comments. *I have highlighted some sensitive passages and possible amendments.*

2. Community Charge and the RPI

I share your worries

You saw the papers over the weekend (enclosed in the folder below). I have passed on your reactions orally to the Treasury, but not yet minuted them out. I gather the Chancellor sees difficulties with your suggestion, e.g. having to run with two different RPIs. On what basis would pensions be updated? So the Chancellor will want to talk this through with you tomorrow.

3. Performance Pay for Grades 2 and 3

Again you saw some papers over the weekend. These are also in the separate folder below, together with some additional minutes that have now come in. I have minuted your reactions out to the Treasury and Robin Butler, but not yet to other members of Misc 66. The Chancellor may want to come back to you on this subject tomorrow.

4. Timetable for the Autumn Statement

We spoke about this earlier this afternoon. I have told the

Treasury you see attractions in having the Cabinet and the Statement itself on Tuesday, 1 November. I hope the Chancellor will come along prepared to sign up to that.

I don't think there is any need for further discussion on the handling of the two outstanding public spending programmes - Transport and Wales. The Chief Secretary is holding bilaterals in the next two days, and we will then need to consider over the weekend whether the Star Chamber needs to be brought into operation and whether there would be advantage in your having a meeting with Mr. Walker. You will, however, want to express your thanks to the Chancellor for the role he has played with Mr. Moore.

5. Markets

It has been a fairly quiet week, and I don't think there are any operational issues to discuss.

Recd.

PG

19 October, 1988.