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PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 12 JANUARY

As arranged, the Chancellor will be looking in to see you at 8.00 to 8.30 p.m. on Sunday evening. Andrew will be on hand to de-brief after the meeting.

The main item of business is to carry forward the discussion of the Budget that you had at Dorneywood last month. My earlier note, prepared before Dorneywood is at Flag A. A new note alerting you to what the Chancellor may now say, is at Flag B. The Treasury forecast, which you saw earlier in the week, is at Flag C.

But there are one or two other items which, if time permits, you may want to discuss:

- i. Chancellor's draft paper for next Thursday's pre-Budget Cabinet discussion (Flag D). Are you content with it?  
Andrew and I have marked some queries on it.
- ii. The complex of sensitive issues currently under consideration in the Employment field. Following your talk this morning with Robin Butler I have arranged for Mr Fowler to have a bilateral with you next Tuesday morning to take stock of the position on five sensitive areas - Dock Labour Scheme, Wages Councils, trade union law, Job Centres and Skill Centres. Mr Fowler will be letting you have a note on Monday on his overall plan for handling these points but you might want to mention all these to the Chancellor on Sunday and take his mind on the handling.

iii. You have had three letters recently from people in Lloyd's - Stephen Merrett, Murray Lawrence and Francis Dashwood - all complaining about the Inland Revenue's treatment of Lloyd's members, in particular in relation to the treatment of reserves. (The latest letter from Francis Dashwood is in the signature folder.) None of these letters are suitable for passing on to the Treasury and Inland Revenue, but if you agree I thought I would send a short letter to the Chancellor's Office saying that you have had a number of representations on all this recently and asking for a note about it. But you may also want to mention it to the Chancellor yourself.

*fcc.*

Paul Gray

10 February 1989

Econ Pol: PM'sblatt with Ch Ex