

PRIME MINISTER

You have a bilateral with Chris Patten on Monday morning on a range of environment issues. In your folder is his letter to you (Flag A), the recent correspondence on Foxley Wood (Flag B) to which Chris Patten refers, and the Pearce Report summary (Flag C) which you have already seen.



DM

1 September, 1989.

JD59

CS - to see



RLE

10 DOWNING STREET

Prime Minister

An interesting note from
Chris Patten which you might
like to keep through ahead of your
meeting on 4 September.

Points on planning & National
Parks might provide the plank for
the Environment section of
~~the~~ your conference speech.

DM

GF
This must
be for you.

24/8



PRIME MINISTER

Thank you very much for your letter of 7 August, covering the letter from the Duke of Wellington, in which you mentioned some of the matters on which I am brooding this recess. I am looking forward to talking to you about them on 4 September.

In my first few weeks at this Department, I have learned already that it covers sufficient ground to maximise the opportunities for trouble. Obviously, it must be one of our priorities to pre-empt difficulties where possible and to avoid unnecessary arguments so that we can concentrate on priority tasks. You have given me a good team.

There are four issues which have dominated my agenda so far: the community charge, planning, environmental politics and water.

The community charge, when it is firmly bedded down, will be a much better system of funding local services and should restore real democratic control to local government. Present levels of public interest in local government - shown in voting turn-out figures - are appalling: hence, of course, incompetent and extremist local politicians. But this begs one important question, how do we "bed the charge down?" Like any other new form of tax, there are transitional problems of gainers and losers, with the additional problem inherent in the charge that many will be paying for local services for the first time, and that ending the preposterous relationship between a local tax and notional historic rental value creates substantial individual gainer and loser differences in adjoining streets. It is impossible to avoid every problem with a change as substantial as we propose. The trick is to smooth the transition without either destroying the rationale for the change or saddling ourselves with a colossal long-term bill.



I am not sure that the Scottish experience is as relevant as our colleagues there may suggest. After all (it was ever thus!) Scottish charge payers only meet about two thirds of the proportion of local government costs that will be met by English charge payers. There are hardly any Conservative councils in Scotland. Nor will the background to the charge introduction be quite what we would have hoped, with interest rates and hence mortgage repayments high and not much chance, I would have judged, for income tax cuts next year. In addition, the newness of the charge may mean that it - rather than Labour over-spending - will be blamed for every high bill.

The Parliamentary party is obviously working itself into a lather about the charge; I saw the executive of the 1922 just before the House rose. So far, they are concentrating on our safety net proposals. My hunch is that the nearer we get to the introduction of the charge, the more individual problems - that is, the requirement as some would argue for personal safety netting - will dominate their thinking.

Against this background, I have put in hand a paper which will be available for you at the end of the first week in September. It attempts a realistic survey of the problems of introducing the charge with a menu of costed options for dealing with the various difficulties, and the rough effect which these options would have. It seems to me that what you and other colleagues need to have is a clear idea of what political effect we can purchase for what price. I will try not to come to you like Oliver Twist. If we take the view that we should just put our heads down and charge, so be it. My worry about that is that it may not be a sustainable position in the House or the country. The political problems do appear formidable. If we are going to move - arguing that we are providing the same sort of interim relief that accompanied domestic revaluations in 1963 and 1973 - then we should do so on our own grounds and terms, not being pushed but seizing the initiative ourselves, certainly before the Party Conference.



I see every prospect of us breaking the back of the Labour revival this autumn and winter, with the sort of consequences admirably set out in the attached article which you may have seen from the "Sunday Times" by David Selbourne. Inflation and interest rates will do much to determine the speed and extent of our recovery, so too will the community charge with important local government elections next spring and with its continuing effect on the enthusiasm and morale of our forces at Westminster and in the country.

Second, on planning, we find ourselves dealing with a good deal more than an outbreak of Major Bloodknock nimbyism. It is, of course, surprising that having doubled the amount of green belt since we came into office, and with the majority of development taking place in urbanised areas, there should still be so strong a feeling that we are careless about peoples' concerns on the rural environment. The recent Gallup Poll (a copy of the Daily Telegraph article is enclosed) was worrying on this. This is a political issue of substantial salience, especially for our supporters. We don't want to create a class of voters whom one could more or less describe as "Tories against the Government".

My hunch is that some of the answer is presentational. One or two of my early planning decisions will be of major importance in terms of the ripple effect. I will naturally keep you well informed of my inclinations. I also see the case for one or two bits of symbolism. It is 32 years since we established a new National Park. A commitment at the Party Conference to designate one or two more would have a good effect (without of course specifying areas, though both the New Forest and the South Downs come to mind). But policy matters too. Instinctively, I recoil from the argument that because, for example, a group of chief planning officers from the county councils decide that there is a need for a given number of houses in their area, the aggregate figure for all of them represents an implacable housing demand which the community and the land use planning system have to swallow. That feels very much to me like top-down Socialist planning. A community surely has a right to

Both in
the
South.



determine its own nature - a point which would join both Burke and Von Hayek. After that the consequences are for the market to determine, and the market will lead to houses being built elsewhere - and to a proper regional spread with greater pressure for sensible market measures like relocation (not least of the public sector) and regional pay differentiation. There is much more I could offer about this, albeit from all too little time in this job. But I have to say, that my initial feeling is that this is an issue on which our supporters' gut instincts are right. None of this is an argument against any new housing in the South or South East; there is, however, a powerful case for establishing the balance between new housing and conserving the countryside in a more politically acceptable way.

Third, on environmental policy as a whole, I think we have as near to a blank sheet as one gets in politics, despite the ambitions of the Commission to cover it in their own Esperanto. There are one or two presentational things that I could do in the autumn, like announce a "Green Audit" of this Department. But I would like to propose something more sweeping. It seems to me that there is a powerful argument for us aiming to produce a White Paper on the Environment - domestic and international - about this time next year. We would set out our strategic overview on environmental issues and establish the argument on our own terms. Above all, I think we can fight on our own philosophical terrain, namely the encouragement of market forces and the price mechanism for achieving the environmental goals we all seek. Good environmental practice must not be seen as all about regulation. Your governments have re-established the case for financial prudence and market forces in the 1980s. Without letting go any of the gains of the last decade, we could make the achievement of environmental prudence through the use of market forces one of our themes for the next decade. We could naturally look to a White Paper as the quarry for a manifesto at some time during the following year (or longer!). If you agree, I would like to announce our commitment to a White Paper at the Conference, and we could also - since we have nothing to hide -



commit ourselves to an annual environment quality statement. We produce the figures anyway, but either indigestibly or else as part of unnecessarily defensive wrangles. We are not the dirty man of Europe and we can show it.

Fourth, you know the up-stream job we have got on water, largely I think because of an illogical but instinctive public feeling that water shouldn't have anything to do with ownership. The K-factor announcement seemed to me to go pretty positively in the circumstances - Michael Howard handled it exceptionally well. Proposals for the flotation now look better, subject to market circumstances.

I am sorry to write at such length. I look forward to talking about these and other issues with you on 4 September. I hope, incidentally, that I won't now have been excluded from making the odd contribution to your Party Conference speech.

As you said in your letter, it is an immense privilege to be able to work on all these issues. I cannot adequately express my gratitude to you for allowing me this privilege.

C P

August 1989

SIR

~~Amanda -~~

① Be / I've fixed up 9.30-10.30
on 4 Sept. Chris Patten
will be at the IPU Conference
with the pm in the evening
after and they might go
over together

PRIME MINISTER

MEETING WITH CHRIS PATTEN

You asked to see Mr Chris Patten before you go on holiday

CAS 10/8

I am afraid he is in the USA at the moment and although he will
be back between 14 - 18 August he will then be away again until 4
September.

Do you want me to fix up a time for you to see him then?

CAS

Caroline Slocock
7 August 1989

Yes ms