

Rifkind.

PRIME MINISTER

MALCOLM RIFKIND

You should be aware that there has been considerable comment in Scotland about two somewhat injudicious remarks by Malcolm Rifkind in an interview he gave in Sunday's Observer.

He is quoted as saying that you "fell in line with his better judgement" on the Community Charge concession in Scotland. He also said "I came into politics before Mrs Thatcher became Leader of the Conservative Party and no doubt I will still be in politics when she is no longer Leader of the Party". He also made clear in the interview that he had not foreseen the subsequent row when he first heard the contents of the budget in Cabinet.

In today's Glasgow Herald he does slightly repent of his remarks, describing the first one as a "frivolous reply to a frivolous question" and saying of his 2nd comment he had merely meant that he was 43 while you were 63. Nevertheless, Michael Forsyth feels that this has done us great damage.

JHW  
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JOHN WHITTINGDALE

26th March, 1990

# Rifkind 'close to quitting' over poll tax furore

Andrew Mackenzie

THE Secretary of State for Scotland, Mr Malcolm Rifkind, revealed this weekend that his resignation had been a very real possibility if the Prime Minister and other Cabinet colleagues had not agreed to his request for a face-saving package of *ex gratia* payments following the 'perceived' injustice over poll tax concessions announced by Mr John Major, the Chancellor, in last week's Budget.

Without actually threatening to resign, Mr Rifkind made it clear that he would be put in a very difficult position if the Government refused to respond to Scottish outrage. The resulting £4 million scheme, which will affect some 20,000 Scots who have been unable to claim poll tax rebates because their savings were above the present £8,000 limit but below the new £16,000 threshold, represents evidence that Mrs Thatcher was given little choice in the matter if she wished to retain her Scottish Secretary.

In an interview with *Observer Scotland*, a bruised but apparently unbloodied Secretary of State made clear the gravity with which he viewed the events that led to last Thursday's dramatic U-turn, and hinted at heated confrontations with the Prime Minister and the Cabinet over the issue.

Choosing his words carefully, Mr

Rifkind said: 'I did not expressly raise the question of resigning but I certainly ensured that my colleagues fully appreciated the very great importance I attached to the need to respond in a sensitive way to the concern that was being expressed from Scotland, and I certainly made it clear that if there was not a response it would be very difficult indeed for the Government to continue to do its work effectively north of the Border.'

He continued: 'Clearly if my judgment was that there had to be a response to the concern that was felt in Scotland then, if my colleagues had been unable to accept my judgment on such a quintessentially Scottish matter, that would have been, from my point of view, a very difficult situation to accept.'

But the consent of Cabinet colleagues and the Prime Minister defused the situation. 'You resign if you disagree with Government policy. If however your colleagues accept your view as to what Government policy should be, that's hardly an issue on which you would normally be expected to resign. That would be an example of not being able to take 'Yes' for an answer.'

Answering criticisms that his position as Secretary of State had been weakened by being forced to fall in line with Mrs Thatcher against his better judgment, Mr Rifkind said: 'No, on this issue she has fallen in line with my better judgment.' He firmly denied that his political credibility and future were linked to Mrs Thatcher. 'No, on

the contrary, I came into politics before Mrs Thatcher became leader of the Conservative Party and no doubt I will still be in politics when she is no longer leader of the party,' he said.

But he was quick to defend the Prime Minister for agreeing to his proposals. 'The ability to admit that you have made a mistake is something she is often accused of not having. She does not deserve criticism now for accepting that what happened on Tuesday needed response.'

Asked whether this latest controversy represented further evidence that the Government, and in particular the Prime Minister, neither understood nor cared about Scotland and that Scotland was not of crucial significance to the Conservatives' electoral fortunes, Mr Rifkind said: 'The facts suggest otherwise. If that was true then my advice would not have been accepted.'

'Is it unlikely that the Prime Minister would have agreed to what has been described as a major U-turn and a major embarrassment to the Government unless she thought it was necessary to do that in order to reassure people in Scotland and Scottish Conservatives as to her deep interest in and commitment to all the things we are trying to do up here? Any objective analyst would say: "How could she possibly put herself into that position unless she is actually concerned and interested in what happens in Scotland?"'

■ Shaken and stirred, page 5.

Observer. 25th March '90

# ong righted

In the week the Budget was meant to dominate the headlines, Malcolm Rifkind stole the show. Derek Bateman discussed the crisis with him

Scotland on  
Sunday:

25th March 1990

**T**HE Scottish Secretary, Malcolm Rifkind, has admitted that he failed to foresee the outrage that would be caused in Scotland by a failure to backdate the increased poll tax rebates announced in the Budget. But in an exclusive interview at the end of one of his shortest weeks in office, Rifkind stressed that when the scale of protest became apparent he acted quickly to correct the mistake by risking the short-term embarrassment of a U-turn in order to right an injustice to Scotland.

Talking frankly in his private office in St Andrew's House, Rifkind made clear he warned the Prime Minister and senior colleagues that failure to act on the rebates could do serious damage, not only to the Tory Party, but also to the union between Scotland and England. He feared that inaction would become a dangerous symbolic decision by the government which could be used against it in Scotland, not only by the opposition, but by its own supporters.

In confident mood he began by welcoming the Budget in general, but conceded it had been a very difficult week for the government. "Obviously that goes without saying. The government are used to that. Clearly it's not a phenomenon peculiar to the present administration, but that doesn't make it any more comfortable when it happens. Obviously it was damage done in the short term to the government and obviously that was something that should never have happened."

But he believed the situation had been rectified by the backdating decision and the award of the £4 million which will be distributed to up to 20,000 Scots who have paid more in poll tax this year than they should have.

"Now you ask me when I was first aware of it, the answer is the same time as the rest of the cabinet, the same time as Chris Patten (Environment Secretary) on Tuesday morning. He and I and the rest of the cabinet were informed at that time. The only minister who had advance notice was the social security minister because of the social security rebates to which the announcement referred."

He had been delighted at the doubling of capital allowances particularly for housing benefit because he had some very difficult constituency cases who failed to qualify for help because they had accumulated a few thousand pounds in savings.

"Therefore I make no secret of the fact my initial reaction, indeed my continuing reaction, is to be delighted that that particular problem has been resolved."

But did he not immediately realise it could cause a political problem in Scotland? "I don't think I would suggest that I anticipated the degree of concern that obviously has arisen. Maybe I should have done, but I'm quite happy to acknowledge that. Having had the chance to consider it, I certainly came to the same conclusion that a lot of other people had come to, that it would be wise for some acknowledgement to be made of the feeling in Scotland given the sensitivity of all matters involving the community charge that could be taken into account."

Was he in a position to do anything about it at the briefing before the Budget? "No. That's a perfectly fair question and the answer is the Budget speech was already printed by that stage, it's already been circulated on an embargoed basis to certain people. It's virtually impossible to change the Budget speech at that

stage. I don't complain about that in any normal sense and obviously it would have been preferable on this occasion if one's other colleagues had known at an earlier stage. But the rules that chancellors of the exchequer have worked under for generations have been that only if an announcement which directly affects the legislation or the formal responsibility of another department would they discuss with that other department beforehand. It's perfectly possible to say there was a political dimension and clearly in retrospect it would have been helpful if we had been aware of that because it would have given time to think about the implications rather than being presented with what was in effect a fait accompli."

*With the benefit of hindsight, it would have been very nice if I had entirely appreciated, not the reaction, but the scale of the reaction*

He had taken all the criticism for what happened yet it appeared to be more the fault of his colleagues in the Treasury. Was that correct? "Well I think I'm completely frank I think I have to acknowledge that although I had no advance notice I cannot claim that my immediate reaction on being informed was to say 'all hell will break out'. That was not my immediate reaction."

Was it a sign that his political antenna had been a little bit rusty? Was he getting weary? "There's no weariness but no-one's perfect. I mean if you said 'can I give an absolute guarantee that my political an-

tenna will within seconds after being given information immediately pick up what the consequences are going to be?' I don't think I've ever had that particular talent and couldn't expect to have it at any future time. Obviously, with the benefit of hindsight, it would have been very nice if I had entirely appreciated, not the reaction, but the scale of the reaction, but that's also not something within our control. It's partly within control of your profession as well as of other politicians."

He acknowledged the intervention by his shadow, Donald Dewar. "Let me pay a tribute to Donald, I mean we have splendid battles occasionally, but what Donald did on Tuesday was from the point of view of another professional politician a very impressive performance because he clearly brought to a very wide audience a potential grievance and it was a very successful initiative."

Could the damage have been averted?

"With the benefit of hindsight, yes. Inevitably, if government gets itself into a position where it has caused considerable embarrassment then, with the benefit of hindsight, one can say, yes it would have been better if it hadn't happened and if it had been anticipated."

Did the Prime Minister accuse him of not warning the government?

"She wasn't in a position to ask me that because I hadn't been told. You can't warn if you aren't told."

Was there any justification, though, for speculation that he was becoming a semi-detached member of Cabinet?

"If I was semi-detached I would have been unlikely to persuade the Prime Minister and my other colleagues to what you yourself have described as one of the most curious changes of policy in the course of the current government. For a minister to be successful I would suggest that he must have a certain amount of influence under these circumstances but that's for others to judge."

Did he threaten resignation?

"I made it clear the importance I attach to responding in a sensitive and sufficient way

to the concern that was clearly felt in Scotland and I think it was essential for my colleagues to recognise that and indeed they did. I was able to persuade my colleagues that the original announcement was perceived in Scotland to be unfair and insensitive and if government wished to be genuinely responsive to Scottish concerns then it must accept the embarrassment that goes with changing your mind. Inevitably, if a minister's advice on something he believes to be fundamental is not accepted then there are many precedents for ministers deciding it is appropriate for someone else to take on the burden and responsibility in that area."

But why did he need anybody else's approval to speed his own budget?

"Look, if you are contemplating an announcement which everybody knows will be interpreted as a major reversal of policy two days after the Chancellor announced it, it would be pretty unwise simply to announce that without consulting your colleagues. Of course, we're a single government."

Rightly or wrongly the issue had achieved a symbolic importance, which could be dangerous and that could not be ignored and "if that means doing things that are disagreeable or embarrassing or unfortunate well we are all - I don't want to sound too melodramatic - we are all temporary and ephemeral and there are certain things that are more important than my short-term embarrassment. Clearly, if one judges that it is important in a sensitive and speedy fashion to respond to what has become a potential source of deep disenchantment then it's better to bite the bullet."

The government had encountered a very Scottish reaction. "Scots are very sensitive. We always have been and we always will be. It can become a potential source of serious difficulty and therefore the short-term embarrassment, or accusation of a U-turn are relatively insignificant if the alternative is something that could do profound damage, not simply to my party but, even more important, to the UK." He believed there was more of a threat to the Union to do nothing than to act.

He conceded that the Prime Minister had been very concerned, but she had not been irritated. "She was very concerned and obviously there was unhappiness at the possibility of changing so quickly a decision that had been announced. We were all unhappy about the implications. It was obviously my responsibility to persuade her and other colleagues as to the necessity."

# Major accepts poll tax blame

By STUART TROTTER,  
Political Correspondent

THE Chancellor yesterday took the blame for the Scottish poll tax blunder which soured the reception of his first Budget.

Mr John Major said he had not appreciated the degree of concern that would be felt in Scotland about his failure to make the improved rebate structure retrospective north of the Border.

On BBC TV's *On The Record*, Mr Jonathan Dimbleby, asked him if the episode was not "an almighty cock-up". Mr Major replied: "It wasn't... as you put it."

Mr Major said the improved rebates for four sets of benefits including the charge were part of his strategy to encourage savings and there was no reason why he should have discussed them with his colleagues.

He said that if there had been talks with the Scottish Office "even then I don't think I would quite have appreciated the sense of grievance the people felt in Scotland". But he admitted on a TV-AM interview: "It was certainly a mistake not to anticipate the response."

Scottish Secretary Mr Malcolm Rifkind said in a Sunday

newspaper interview that, far from being summoned by Mrs Thatcher to do something about the oversight, "on this issue she has fallen in line with my better judgment."

Mr Rifkind said yesterday that it was "a frivolous reply to a frivolous question" but it was obviously correct as he had gone to the Prime Minister urging that a change should be made and she had agreed.

As the Conservative Party reeled from the publication of four opinion polls giving Labour a lead over it of between 19% and 28%, Mr Rifkind's weekend remarks that he would no doubt still be in politics when Mrs Thatcher was no longer party leader were being construed by some Tory MPs as a sign that Cabinet Ministers will be asserting greater independence from now on.

However Mr Rifkind said all he meant was that as he was 43, and the Prime Minister was 63, it was a likely situation. He added that although the Prime Minister was often criticised for refusing to change her mind, she had agreed on this occasion that something should be done to meet the concern in Scotland.

A Downing Street spokesman

said: "We don't say what took place at meetings between Ministers." When it was pointed out that Mr Rifkind had, he replied: "That's a matter for Mr Rifkind."

The Chancellor described the ex gratia payments to this year's Scottish charge payers who would have benefited from the improved rebate limits being made retrospective as "a rough and ready scheme to remove a sense of grievance".

It is unlikely Mr Rifkind will be able to announce details of the ex gratia payments when he answers questions in the Commons on Wednesday as discussions between the Scottish Office and the Convention of Scottish Local Authorities are still going on.

Mr Major and other senior Government and party figures were trying over the weekend to prevent their MPs and party workers from being panicked by the bad poll figures and the prospect of what looked like being extremely bad results in the local elections in May.

The Chancellor seized on the U-turn on the Scottish charge rebate to make the point that it was a quick response to a complaint.

Mr Major predicted that inflation and interest rate levels would

be "materially lower" next year

Shadow Chancellor Mr John Smith said Mr Major had a habit of saying he would keep interest rates high when talking to the market, but talked of lowering them when Conservatives were worried. He had not mentioned the 1991 downturn in his Budget speech. "I think it is more a hope than a prediction," he said.

Mr Major blamed local authorities for the soaring poll tax levels. They had budgeted to spend in England £4 billion more than the Government considered necessary, he said.

Some Tories are hoping that this message will get across before the May elections but one problem is that Tory councils are not, on average, spending much less than Labour ones.

Opinion among senior Tory back bench MPs seems to be hardening against a serious election challenge to Mrs Thatcher's leadership in the autumn. If there were overwhelming party pressure on her to go it would probably manifest itself in other behind-the-scenes ways.

Meanwhile, the Prime Minister has a difficult task restoring grassroots morale awaiting her when she addresses the normally routine Conservative Central

Council meeting in Cheltenham next weekend.

In a weekend interview she gave no indication either of willingness to stand down or to change her style or policies.

A poll showing that if the Tory leadership were taken on by Mr Michael Heseltine the Labour lead would be slashed puts additional pressure on him to declare himself, but there is little prospect that he will yield to it.

Sir Barney Heyhoe, a leading wet and former Treasury Minister, suggested that Mr Heseltine should be made party chairman with the present incumbent, Mr Kenneth Baker, sent to Trade and Industry with the current Industry Secretary, Mr Nicholas Ridley, presumably banished to the outer darkness which wets believe is the right place for him.

The Prime Minister seems unlikely to fancy asking Mr Heseltine to come to the rescue even assuming she believed he could do so. To sack Mr Baker, who, it was clearly indicated, was to be chairman during the next election campaign, would only increase the impression of disarray which the Government is so anxious to dispel.

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Any bets on a new leader? ..... 8

THE GLASGOW HERALD.

MONDAY MARCH 26, 1990.

Fairbairn



10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

9th April, 1990

Dear Nicholas

Thank you for your letter of 31st March.

I am grateful to you for your understanding of these matters.  
Alas it hurts us all if we criticise one another in public.

With best wishes.

Yours ever

Raymond

Sir Nicholas Fairbairn QC MP



HOUSE OF COMMONS,  
LONDON, S.W.1.

My dear Margaret,

31<sup>st</sup> March 1990

I am extremely concerned about the Scottish "rebellion" over John Major's generous increase in savings allowance for all British people. The stumacher at the end of his speech was clearly orchestrated & bogus & as I said when we talked about it, I think it was wholly wrong that we gave in to that clamour. But what concerns me much more is that the opposition have been able to use our surrender to "prove" your poor lack of interest in Scotland, which is manifestly untrue.

What concerns me even more is that in public utterances, particularly in the Observer, Malcolm has cast you as an "uncaring Prime Minister" & himself as "the rescuer of Scottish interests" from "your scornful neglect" & in so doing he has cast criticism not only on yourself but on our Chairman, Michael Forsyth. I find all these things deeply hurtful & I trust we will not again give in to Scottish pandering. It loses us votes. I do not notice the Secretary of State rushing to ask you to subtract funds from Scotland to make privatised electricity costs in England as low as they will be in Scotland.

Other Brexiteers will have written you but I had to say that I think you were forced into a damaging decision by the Secretary of State, which confirmed merely the complaint I repeat, No really please. As for  
Brexiters

Stewart.



10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

9th April, 1990

Dear Allan.

Thank you for your letter of 4th April.

I am grateful to you for your understanding of these matters.  
Alas it hurts us all if we criticise one another in public.

With best wishes.

Yours ever

Raymond

J Allan Stewart Esq MP



From: J. ALLAN STEWART, M.P.



HOUSE OF COMMONS  
LONDON SW1A 0AA

4 April 1990

Dear Prime Minister,

I am writing this personal note after discussion with Nicky and Gill, who have also been in touch with you.

You will have seen yesterday's System 3 opinion poll which put Conservative support in Scotland at 15 per cent. This sharp fall in support is attributed to the Scottish row over the Budget. May I put on the record for your personal information two points I believe to be important.

First, as to the substance of the row itself. No-one sang me to complain that the increase in capital limits announced in the Budget should be made retrospective for Scotland. Not did anyone sing my wife, not my constituency office, not my Chairman, not my Conservative Proport.

Second, the U turn and the subsequent publicity have been extremely damaging. Part of the

political strength of his government is the perception  
that it does not panic under short term  
pressures. The Sunday press following the Budget  
gave the issue massive publicity. It portrayed  
you as being hostile to a reasoned Scottish case.  
I refer for example to The Observer. That  
portrayal was of course a complete distortion of  
the facts.

I have not publicly criticised the decision  
to announce a special Scottish scheme since  
that would have made matters worse. Nor is  
there much point in simply complaining about  
what is past. I would like to emphasise  
however that the government must not in the future  
be seen to take panic measures in response to  
largely spurious outcries by the Scottish media. That  
would be politically fatal.

With best wishes.

Yours ever,

Allan