

The following is the text of the letter Mr Fowler sent today.

There was considerable public interest in the statements you made on the floor of the House on 16th July about the actions that would be taken on Social Security by a Labour Government. On 11th June, also in the House of Commons, you pledged that these would be made 'in the first year, in our first Budget'.

The three main points, which were repeated among many other spending pledges in Labour's new document 'Health for All' were:

First, to raise pensions by £5 a week for the single person and by £8 a week for the married couple;

Second, to increase Child Benefit by £3 a week;

Third, to 'extend the long-term rate of Supplementary Benefit to all of the long-term unemployed'.

Twice in the House of Commons you have indicated that the cost of these measures would be £3.5 or £3.6 billion and that they could be afforded by raising taxes on 'the top 5 per cent'. That was misleading on two counts.

First, the tax implications of your proposals could not be limited to the million families you have marked down for attack.

Second, you underestimate the cost of your proposals. Unless you were to refuse to increase other benefits - for example, widows' benefit and invalidity benefit - which are presently set in line with retirement pensions, and declined also to raise, for example, housing benefit needs allowances, the total cost of your first year proposals alone would be over £5.6 billion. That is equivalent to a rise of 5p in the £ jump in income tax across the board to pay for the social security changes alone.

There is, however, a wider matter which in view of the highly publicised conflicts between you and the Shadow Chancellor should now be clarified for the public record. That is the question of what would happen after Labour's first budget. That is what the current row in the Labour Party is all about. This is what now needs to be cleared up. The public are entitled to know what commitments you have to increase spending on Health and Social Security subsequent to your £5½ billion package.

In April 1985 you issued to the Press some details about your plans. These were reported to be 'pre-emptive' action in advance of our own social security review. You said these proposals were 'a considered response' by 'specialist work groups' you had convened. You said they formed 'part of a work entitled "Robbing the Poor" shortly to be published by Sokesman books'. A year and a quarter later no such book has appeared. This is despite the fact that again at your Party Conference last September you promised that you would 'publish our alternative programme of reform for consultation with the movement and with the public ... early in the New Year'. The New Year has passed. The next Labour Conference is drawing near. But 'the movement' and the public are still awaiting the details. You are clearly reneging on the commitments to publish that you have made.

Fortunately there is abundant evidence of your intentions on the record. Since you have been Opposition spokesman on Social Services you have made more spending promises than any previous Party spokesman. You have given these promises to disabled people, to pensioners, to poor people, to those out of work, and to families with young children. You have held out to them prospects which no Government - least of all a Labour Government - could ever hope to fulfil. It has been entirely irresponsible because you have raised expectations which you know you cannot meet. I am sure that you will take this opportunity to clarify the stages by which your further programme will be implemented and to give details of its costs. Only in that way can you put right any misunderstandings which you have caused about the Labour Party's intentions.

In order to assist the Press and public in assessing the details of your package I am attaching to this letter a list of some of your main public spending declarations. I cannot claim that even this is comprehensive. In every case I have added references to the source material from which they are derived. As you will see, all of them are public statements that you have made in your period as official Party spokesman - a period in which, if you personally and the Opposition as a whole are to retain any credibility, it must be assumed that you were speaking on behalf of the Labour Party.

All those in the groups affected by these statements are entitled to know whether you stand by them and at what stage they would be introduced by any future Labour Government. I invite you to make clear whether you now repudiate any of these promises. If you do not specifically repudiate them I will assume that you intend these to form part of the programme of a future Labour Government.

The potential scope of these statements is so far-reaching in terms of tax, national insurance and public spending that it is important that they be brought to public attention. The Shadow Chancellor is claiming that they could be financed by limited tax changes affecting the very rich. In this respect at least you have

been more honest. As the attached material shows, you have set out a range of ideas for financing your proposals by abolishing tax reliefs, for raising income tax, and for raising national insurance contributions whose merits you will doubtless be pressing on your colleagues. In view of the importance of this question I am releasing this letter and the attachments to the Press.

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*Re Minutes:
Too long, but quite
effective*

THE RT HON NORMAN FOWLER MP

Release Time: 0001 hrs Wednesday
454/86 30 July 1986

29/7

MS

The cost of Mr Meacher

Norman Fowler MP, Secretary of State for Social Services, has today written an open letter to Michael Meacher, Labour's Social Services Spokesman setting out details of the range of promises he has made. Mr Fowler said that those promises were currently the subject of clashes between Mr Meacher and Mr Hattersley, and said that Labour should avoid raising hopes they had no prospect of ever fulfilling. He challenged Mr Meacher to make clear to the groups whose hopes he had raised that there was now no question of Labour carrying out the promises he had given.

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1. Pledges to Pensioners.

a) Earnings Link.

'For the pensioners we would restore the link with earnings'.¹

b) Immediate Uprating.

'Labour is committed already to giving pensioners an increase of £5 per week for a single pensioner, and £8 per week for a couple right across the board (at 1984-5 levels) without cutting other benefits'.²

c & d) Christmas Bonus: Off-peak travel.

'Pensioners will get a big cash rise immediately Labour gets back in power. An extra £5 a week will go to single pensioners and £8 for a couple. This "cast iron promise" was given yesterday by Shadow Social Services Secretary Michael Meacher at a Fulham by-election meeting in London ... Labour's package for pensioners will also include:

- * doubling the Christmas bonus;
- * winter premiums of £5 a week for needy pensioners and widows;
- * nationwide off-peak half fare travel for pensioners'.³

1 Hansard, 22nd April 1985, Col. 630
2 Press Release, 16th October 1985
3 Daily Mirror, 2nd April 1986

NB Financial Times of the same date reported a further pledge to raise the level of the Death Grant to an increased level of at least £200.

e) Winter Premium.

'Significantly increased help must be given to the most vulnerable in the cold winter months. If an extra £5 per week were paid automatically to all pensioners on supplementary benefit, it would cost £8.25 million a week. If we included also, as we believe we should, another 1 million pensioners and widows with resources slightly above the supplementary benefit qualification, but who are still in real need and who are unable to warm themselves adequately, that would cost another £5 million a week. If that aid were given every week from mid-December to the beginning of March, it would cost about £130 million'.¹

f) SERPS.

'I want to make it clear that in two years' time when we are in a position to do something about this, we shall re-introduce SERPS, either in the same form or in some improved form'.²

2. Pledges for Families.

a) Child Benefit.

'For families, we would retain and improve child benefit as the single most important protection against family poverty and against the poverty trap'.³

[Child Benefit] 'Would be set immediately at a rate of £14.50 per week per child, plus an addition of £7.65 per week per child living with a lone parent. It would then be improved in real terms at subsequent upratings'.⁴

1 Hansard, 6th March 1986, Col. 476

2 Hansard, 11th November 1985, Col. 329

3 Hansard, 22nd April 1985, Col. 631

4 'Do We Need a New System?', 15th April 1985, page 17

[Child Benefit] 'It is now £7 per week for each child. You could double it to £14 a child, if you abolished the married man's tax allowance. The amount of money we spend on that is about the same as the current cost of child benefit. I think that would be a lot fairer'.¹

- b) Child Benefit: Immediate Action. 'It shall be done in the first Labour budget. We shall increase child benefit by £3 a week'.²
- c) Child Benefit: Indexation. 'We object to it (cc. Government policy) for several reasons ... Thirdly, there is no commitment to index child benefit in line with prices, let alone earnings'.³
- d) One-Parent Families.
'For many years, the need for a proper benefit for these families has been obvious. A new one-parent family benefit would take this whole group out of supplementary benefit'.⁴
- e) Educational Maintenance Allowance.
'An educational maintenance allowance (of £25 per week) is paid to all 16, 17 and 18 year olds in full-time non-advanced education'.⁵

1 Tribune, February 1986
2 Hansard, 11th June 1986, Col. 340
3 Hansard, 11th June 1986, Col. 341
4 Supplementary Benefits, 15th April 1985, page 20
5 New Income Protection Plan, 15th April 1986, para 6

f) Benefit for Unpaid Work.

'A universal benefit, which gave recognition to the unpaid work done by most members of society - voluntary community work, as well as work within the family - would allow a better balance between the rewards of paid employment, and rewards for tasks which have hitherto been "voluntary"'.¹

3. New Income Protection Plan.

'We would seek to bring to an end the present degrading supplementary benefit system'.²

a & c) Supplementary Benefit.

'After stoppages the average-paid worker is probably getting about £120 per week. Supplementary Benefit for a couple if they are unemployed, on a short-term rate, is about £50. But the rent is paid if they're getting housing benefit - say about £20 a week. That takes them to about half the level of the net wage of an average-paid worker. I believe that will lead to many people on benefit having more than those in low-paid work ... So a necessary corollary to increasing supplementary benefit to a decent level is the establishment of a national minimum wage. I accept the view taken by NUPE - the main advocate of this tactic - that it should be two-thirds of the national average, around £100 per week. The lowest wage should be above the level of benefit ...

(cont.)

1 Do We Need a New System, 15th April 1985, page 5

2 Hansard, 22nd April 1985, Col. 631

b) 'Next, all benefits - unemployment, retirement, sickness, widowhood - have to be paid at a level at least as high as that family would get from supplementary benefit. You should not, as we have done since 1949, pay benefits below the poverty line, and then leave people with an option to claim a means-tested benefit to top up to a higher level.

If you provided the benefits at or above the current supplementary benefit level, you could virtually scrap the supplementary benefit system and that would be a huge advance'.

'If supplementary benefit scale rates were increased - as we have argued that they should be - then other means-tested benefits would also need to be increased, to give overall fairness between people in work and those not working'.²

d) Income Maintenance.

'[Income maintenance] is the base of income support for the retired, the sick and the unemployed. It provides an adequate income level, paid as of right (as National Insurance benefits are now) to adults as individuals unless an adult is able-bodied, of working age but not available for work, when an adult's dependency addition would be made to the claimant's benefit. Disaggregation would be phased-in for those over retirement age. There would be a lower level benefit for 16 and 17 year olds in recognition of reduced financial commitments'.³

1 Tribune Interview, February 1986
2 Supplementary Benefits, 15th April 1985, page 21
3 Do We Need a New System, 15th April 1985, page 18

'The income maintenance benefit is set at a uniform rate for all claimants with additions for pensioners (heating addition plus the state earnings related pension addition) and for the disabled (a disablement costs addition)'.¹

e) Pensioners' Addition.

'This is added to the Income Maintenance Benefit in recognition of increased heating costs. It would be set at £2.10 per week for the over 65s and £5.20 for those over 85 years'.²

f) Strikers Deductions.

'I give a pledge to, and I give it very solemnly, that we will end that infamous system of a £16 a week deduction in benefit that was used to deprive the miners of their basic rights, whilst at the same time stopping unjustified tax-free perks and expense account lunches'.³

4. Temporary Emergency Payments Scheme.

'A temporary emergency payments scheme would have to give a fast and flexible response to individual circumstances if it were to be effective. It would therefore need to be a local service, staffed by people trained for this purpose. So it would be quite different from the main scheme for providing basic incomes, and quite different from our present supplementary benefit scheme ... (cont.)

1 New Income Protection Plan, 15th April 1985, para 4
2 Do We Need a New System?, 15th April 1985, page 18
3 Party Conference Speech, 1985

'The scheme would be aimed at tiding people over crises, emergencies and unforeseeable sudden problems ... It would merely aim to give immediate cash help to those in urgent need, to help them get back to normal as quickly as possible ...

Unlike the basic income scheme, the temporary emergency scheme could not pay benefits according to a fixed rate. Each case would require an assessment of need, which would depend on the exact nature of the crisis. Staff would therefore inevitably exercise discretion and make individual judgements over needs.. Perhaps the best way to avoid the delays and value judgements associated with means-testing would be for payments to be made on a loan basis, but for recovery of loans not to be pursued if, on later investigation, this proved impractical...

Staff should be trained to regard a larger payment which restores normality quickly as preferable to a smaller one which results in claimants requiring temporary assistance for more than a maximum of a fortnight'.¹

5. Disabled People.

- a) 'For the disabled ... a new component is needed - a disability costs allowance - to compensate for the extra costs of living arising from disability. But it will inevitably be expensive and its implementation, as for other objectives, must depend on our economic success'.²

1 Supplementary Benefits, 15th April 1985, pages 22-23
2 Hansard, 22nd April 1985, Col. 631

'Disablement Costs Allowance - this benefit would be paid to the disabled, whether in or out of work, to help towards the costs incurred as a direct result of disability. Assessed on a degree of disability basis, it would be set at £58.40 per week for those with 100 per cent disability. If Mobility costs were subsumed into the main Costs Allowance it would be increased accordingly but Attendance Allowance would be paid in addition'.¹

'What the disability groups want is a comprehensive disability income, which on various calculations would cost around £2,000 million. Well, that's another colossal expenditure'.²

6. Pledges to Unemployed People.

'Until the problem of employment is systematically tackled, a minimum demand is that unemployment benefit should be extended beyond the present limit of one year. For those who do have to claim supplementary benefit, the scale rates for people still claiming after a year's unemployment should be at the higher (long-term) rates'.³

Immediate Action.

'It shall be done in the first Labour Budget ... We shall extend the long-term rate of supplementary benefit to all of the long-term unemployed'.⁴

1 Do We Need a New System?, 15th April 1985, page 18
2 Tribune Interview, February 1986
3 Supplementary Benefits, 15th April 1985, page 20
4 Hansard, 11th June 1986, Col. 340

7. Death Grant.

Raised to £200 (Financial Times, 2nd April 1986).

8. Housing Support: Ending Mortgage Tax Relief.

'Since its inception housing benefit has been a vicious attack on the poorest section of our society and an administrative nightmare for local authorities'.¹

'The artificial division in housing and according to type of tenure involving tax relief for owner-occupiers as opposed housing benefit for those who rent, should be ended and replaced by a single system governed by need and family size, not by type of tenure. In the interim, prior to the introduction of a universal housing allowance of such a kind, a single unified housing benefit should replace the current over-complex structure of certificated and standard housing benefit (including the housing benefit supplement where taken up by those entitled is low). The simplest option for this would be a "single taper" scheme'.²

'A Housing Allowance combines present Housing Benefit and Mortgage Tax Relief into a cash benefit'.³

'A cash benefit would be payable towards housing costs whether rented or owner-occupied, whether the claimant is in or out of work. The level of benefit would relate directly to income but only those on 1½ times average earnings would receive less assistance from Housing Allowance than they do now from Mortgage Interest Tax Allowance'.⁴

1 Cold Comfort, page 46

3 New Income Protection Plan, para 7

2 Cold Comfort, page 50

4 Do We Need a New System?, 1

9. Payment and Uprating of Benefits.

'All benefits would be cash benefits paid weekly. They would be uprated annually in line with increases in prices or earnings, whichever is the higher'.¹

10. How to Pay for It: Tax and National Insurance Changes.

a) Reforming Income Tax.

'Extraordinary inequalities ... riddle the income tax system. The latter is virtually a single-rate structure, since 19 out of 20 taxpayers pay at the 30 per cent rate only, and it has almost ceased to be a progressive tax at all. What is therefore needed is a multi-tier tax structure with rates of 15 per cent, 30 per cent, 45 per cent, 60 per cent and, possibly, 75 per cent'.²

Taxation.

'There is a limit to how far you can push the vast majority of ordinary workers ... it partly links to who you take the money from... The way out of this dilemma, I believe, is to have a highly-graduated tax structure. At the moment, 19 out of 20 households pay at the 30 per cent rate. We should change that to a structure where, at the bottom, we raise the tax threshold, and start off at, for example, 15 per cent, then 30 per cent, then 45 per cent, then 60 per cent, and then more controversially, 75 per cent. I'm assuming that this would all be worked out to be revenue neutral - producing the same income tax as the present structure in total'.³

1 Do We Need a New System?, 15th April 1985, page 16
2 Guardian, 13th July 1984
3 Tribune Interview, February 1986

Reforming National Insurance.

b,c) National Insurance.

'National Insurance in Britain is a wonderful way that the Tories have found for making the working class pay for their own benefits. There is a very low threshold, now about £35.50 and a ceiling at about 1½ times average earnings. Everyone in that area ... has to pay quite a high rate - 9 per cent flat rate poll tax'.¹

New "Progressive" Tax Structure.

The Plan would be financed by either:

- a) A National Insurance contribution system which abolished the present higher income ceiling and replaced it with higher contributions of, say, 11 per cent and 13 per cent as income rises PLUS a progressive Income Tax rate levied at, say 15 per cent, 30 per cent, 45 per cent and 60 per cent, according to personal income level; or
- b) An amalgamated National Insurance and Income Tax levied on a progressive basis on all personal income at rates of, say, 15 per cent, 30 per cent, 45 per cent and 60 per cent'.²

c) Higher National Insurance.

The figure of 27 per cent, even if true, is the peak ...
It is not such a shockingly high figure, or indeed intolerable

d) Higher Treasury Supplement.

We would restore the Treasury contribution to a significantly higher figure.³

1 Tribune Interview, February 1986

2 Do We Need a New System?, 15th April 1985, page 17

3 Social Security Bill, Standing Committee, 25th February 1986

e) Ending Mortgage Tax Relief.

The scheme ... proposes the amalgamation of the present systems of housing benefit and mortgage tax relief ... the lowest point at which mortgage relief would begin to be reduced would be 1½ times average earnings.¹

f) Abolition of MMTA - The Married Man's Tax Allowance.

'The additional cost of provision for children can be set off directly against savings made from abolition of the married man's tax allowance and additional personal allowance'.²

Taxation of Child Benefit.

g) Taxing Child Benefit.

'We do need a better integration between income tax and the social security system, but based on an income tax system which is graded in its structure so that the lowest paid are either out of tax altogether or they pay a low rate a low rate of 15 per cent and above that 30, 45 and 60 per cent.

If you had that you could pay a universal benefit like child benefit to everyone but then concentrated on those in greatest need without a means test by taxing it, and that would be a far better way of ensuring that we retain universality but at the same time concentrated on those who really need it'.³

1 Letter to The Times, 20th April 1985
2 New Income Protection Plan, 15th April 1985, page 2
3 Newsnight Interview, 18th June 1985

h) Tax on Sugar.

'The Government are already taxing cigarettes and alcohol heavily and surely they should now be taxing sugar'.¹

i) Reducing Perks.

'If the true cost of the private fiscal welfare state - the whole range of personal tax reliefs and allowances - and the private occupational perks welfare state were assessed with a view to distributing the benefits on a more equitable basis, the costs of this scheme could be covered'.²

'Against these costs, we must put savings to Family Income Supplement, the Married Man's Tax Allowance and Additional Personal Tax allowance (no longer needed because of the new child arrangements). There would be massive savings to the host of passport benefits necessitated by inadequate benefit scale rates'.³

1 Hansard, 25th March 1985, Col. 154

2 Do We Need a New System?, 15th April 1985, page 19

3 Do We Need a New System?, 15th April 1985, page 19

11. Health Spending.

'The fundamental underlying problems of the NHS ... cannot be solved without increased funding on a par with other countries'.¹

a) Health.

'We would increase resources in the health service by 3 per cent a year over and above inflation ... That is my bottom line. Given the way the Tories have hammered the service, I must persuade my colleagues that 3 per cent is the minimum and it needs to be nearer 5 per cent per year increase in resources ... An increase of 3 per cent would give about £500 million extra in real terms, about £3,000 million over a five year term'.²

b) Prescription Charges.

'We will reduce prescription charges immediately and phase them out altogether'.³

Dental Charges.

'Labour will reduce the present high dental charges'.⁴

c) Hospital Building.

'Hospital building ... would not be my top priority, but certainly we need some increases'.⁵

1 Guardian, 20th July 1984
2 Tribune Interview, February 1986
3 Health for All, July 1986, page 5
4 Health for All, July 1986, page 13
5 Tribune Interview, February 1986

More Building.

'I think there are two kinds of health institution which are greatly lacking in the health service. There are a few private hospices for the mentally ill and I would be in favour of building some of those. Nursing homes for the elderly are almost all in the private sector ... All this is in addition to the obvious requirements for better primary care, more health centres, ancillary services and ancillary workers, social work professionals, more hospitals'.¹

d) Drugs Bill.

'We would also cut the drugs bill by an extra £100 to £200 million a year by a much bigger cut in the target rate of return and promotional expenditure'.²

e) Ending Disparities in Provision.

Resource Allocation.

'I think we need more resources, discriminatorily placed into areas of greatest need to bring down those classes and regional differentials'.³

1 Tribune Interview, February 1986
2 Press Release, December 1983
3 Tribune Interview, February 1986

f) NHS Administration.

'Labour will reverse the top-heavy centralisation of power in the National Health Service, and we will reverse the crude political patronage and blatant partisan loading of health authorities. We will strengthen the CHCs and we will inject a real element of democratic accountability into the administrative structure so that local services are generally responsive to local demand and consumer complaints'.¹

g) Community Care.

'All Parties are in favour of community care ... If a Labour Government did it for real, we would want to have an expansion in the number of workers providing care, but we would also want to be assisting and supporting ordinary people looking after elderly or dependent relatives, and giving them some financial recognition for doing so. It has been estimated that the cost of care provided by families to dependent relatives is of the order of £5,500 million each year. We virtually provide nothing for them. So a third priority would be to provide some financial support for carers. That is a big and costly priority'.²

1 Hansard, 5th July 1984, Col. 485-6
2 Tribune Interview, February 1986

h) Alcohol Abuse.

'The next Labour Government will act positively and quickly by instructing all the appropriate statutory authorities to commit themselves to securing provision of the range of services required, including basic information and education, counselling, the availability of de-toxification, rehabilitation hostels and suitable accommodation. They must also ensure this approach is successful by regular reviews of the existing services in every region with the ultimate aim being the development of a fully-integrated and comprehensive range of services, spanning both the statutory and voluntary sectors involved'.¹

i) Drug Abuse.

'A national policy to combat drug abuse might include the following proposals: the list is by no means comprehensive ...

Increased finance to ensure the above recommendations would be implemented. The Standing Conference on Drug Abuse estimates a minimum requirement of £20 million (on present day costs)'.²

j) End Low Pay.

'A necessary corollary to increasing supplementary benefit to a decent level is the establishment of a national minimum wage. I accept the view taken by NUPE - the main advocate of this tactic - that it should be two-thirds of the national average, around £100 per week'.³

1 Cold Comfort, page 18
2 Cold Comfort, page 46
3 Tribune Interview, February 1986

Private Health.

k) Private Sector in Health.

'I believe the private sector in the health service is causing significant damage to it ... First of all, yes, we have to reduce pay beds in the NHS. I would reintroduce the health services board that was there before'.

l) 'I would reduce the tax reliefs that have been given to private health insurance companies, to employers'.

m) 'I would change the contract for consultants who now have an incentive to work not 9/11ths but 10/11ths and still do private sector work. I would like to return to a system of 9/11ths minimum, but I would also like to persuade more consultants to work full-time in the NHS - and this includes financial incentives to full-time consultants'.

n) 'We all also need a board which would regulate building and expansion outside the NHS'.

'Another weapon in our armoury is to say that hospitals in the private sector should have the necessary minimum facilities, say in radiography and so on, the kind of back-up services which a lot of them don't have because they are parasitic on the NHS. Either they would have to obtain that or they would have to close. The objective would be a range of pressures which would minimise and squeeze the private sector ... my objective would be to squeeze the private sector. Then after six months, or a year, see how far we have got, and squeeze again, maybe in a different direction, but keep on with the objective'.¹

1 Tribune Interview, February 1986

p) Nationalising Private Hospitals.

'Why don't we in the National Health emergency which we will inherit, take into public ownership their private hospitals and their private clinics when there are long NHS waiting lists?'¹

q) Checking NHS Co-operation with the Private Sector.

'We can be expected to reverse ... the contracts made with private health institutions for the care of NHS patients, and the provision of tax relief to encourage the sale or lease of NHS land to private interests'.²

r) A "Conscience Tax".

'We want to reduce the entire scale of the private sector and put the money and resources back where they belong. And one way to do that would be a "conscience" tax on private patients who can well afford it'.³

s) End Competitive Tendering.

'The programme includes issuing directions, shortly after the election of a Labour Government to all Health Authorities to stop competitive tendering, and to cancel existing timetables for tendering. As contracts come up for renewal Health Authorities will be directed to make arrangements to provide ancillary services in-house'.⁴

1 COHSE Conference, Daily Telegraph, 27th June 1984
2 Press Release, December 1983
3 Daily Mirror, 27th March 1986
4 Speech to NHS Managers, 17th April 1986