

PO-CH / NL / 0537

PART D

Part D.

CONFIDENTIAL

(Circulate under cover and notify REGISTRY of movement)

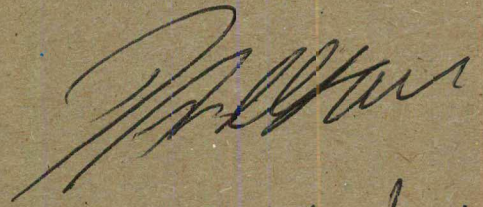
Begins: 6/4/88
Ends: 26/7/88

THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM

PO - CH | NL | 0537.
Pt.D.

Chancellors (Lawson) Papers:
Treasury Parliamentary Business At
the House of Lords stage, 1985-88.

DD's: 25 Years



10/4/96

PO - CH | NL | 0537.
Pt.D.

RT Hon Nigel Lawson
M.P.
dti

the department for Enterprise

The Hon. Francis Maude MP
Parliamentary Under Secretary of State for
Corporate Affairs

The Rt Hon John Wakeham MP
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

**Department of
Trade and Industry**

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

CH/EXCHEQUER	
C.C.	07 APR 1988
ACTION	FST
COPIES TO	

Direct line
Our ref
Your ref
Date

215 4417

6 April 1988

See John,

SIR BRANDON RHYS WILLIAMS: COMPANIES (AUDIT COMMITTEES) BILL

... Last month I wrote to you (copy attached) with details of the changes Brandon has made to his Bill since the exchange of correspondence between you and David Young in December and January. As a consequence, his ten-minute rule Motion on 22 March was not opposed and the Bill is due for its Second Reading on 15 April.

Brandon has now produced a printed version of the Bill in that form and I am satisfied that he has met the points I made to him when we met to discuss it. The way therefore seems clear for endorsing the earlier decision not to oppose the Bill. He fully understands that it may be necessary to bring forward technical amendments in the House of Lords if the Bill gets that far.

I am sending copies of this letter to the Prime Minister, members of E(A) and L Committees, Sir Robin Butler and First Parliamentary Counsel.

FRANCIS MAUDE

J04DSV

the
Enterprise
initiative



CH/EXCHEQUER	
REC.	11 APR 1988 <i>11/4</i>
ACTION	<i>FST</i>
COPIES TO	

mp

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

7 April 1988

Dear David

**LEGISLATIVE PROGRAMME 1988/89
EXPORT GUARANTEES AND OVERSEAS INVESTMENT BILL**

Thank you for your letter of 28 March. I have also seen John Major's letter of 30 March.

I understand your concern to avoid a breach of the PAC Concordat. However, I am afraid that an undertaking on the lines you proposed would be a clear breach of the convention that we do not commit ourselves to introducing legislation in a particular Session and would create a very awkward precedent for the management of future legislative programmes. There have, of course, been many occasions in the past where it would have been helpful - for example in heading off cases which were likely to come before the European Court - to have given a specific undertaking to bring forward legislation in a particular Session, but we have always used a formula that avoids doing this. I should be grateful, therefore, if you could use a general formula such as "the next convenient opportunity" if you think it necessary to inform the PAC of the Government's intentions.

I should, of course, be glad to consider any alternative formulation you may wish to suggest: perhaps your officials could be in touch with the QL Secretariat.

I am copying this letter to the Prime Minister, other members of the Cabinet and to Sir Robin Butler. I am also sending a copy of this letter and yours to Patrick Mayhew.

John Wakeham
[Signature]

JOHN WAKEHAM

The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry



215 4417

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

CH/EXCHEQUER ✓	
REC.	14 APR 1988 144
ACTION	FST
COPIES TO	

13 April 1988

mp

See Francis

SIR BRANDON RHYS WILLIAMS : COMPANIES (AUDIT COMMITTEES) BILL

Thank you for your letter of 6 April in which you sought endorsement of our provisional decision to take a neutral line on this Bill.

No colleague has objected to your proposal and you may take it, therefore, that you have agreement to a line of neutrality. I note that Brandon is aware that some technical amendments to the Bill might be required if it reaches the Lords.

I am sending copies of this letter to the Prime Minister, members of E(A) and L Committees, Sir Robin Butler and First Parliamentary Counsel.

John Wakeham
[Signature]

JOHN WAKEHAM

The Hon Francis Maude MP
Parliamentary Under Secretary of State
for Corporate Affairs
Department of Trade and Industry
Victoria Street
LONDON
SW1H 0ET

Jonathan
Paul



FROM: Assistant Parliamentary Clerk
DATE: 15 April 1988

PS/CHANCELLOR

cc PS/Chief Secretary
 PS/Financial Secretary
 PS/Paymaster General
 PS/Economic Secretary
 Mr Pickford
 Mrs Brown
 Miss Sinclair
 Mr Allen
 Mr Dyer

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

You may wish to be aware of the following current forthcoming Treasury business in the Lords:

ORAL QUESTIONS

Thursday 5 May Lord Constantine of Stanmore - To ask Her Majesty's Government, what safeguards at present exist or are proposed by them to protect the deposits of members of Mutual Fund Building Societies which become PLCs.

Government Spokesman: Lord Brabazon. FIM (HMT) in the lead.

- * **Monday 9 May Lord Rugby** - To ask Her Majesty's Government whether they accept the ruling of the European Court of Justice on 23rd February (Case 353/85) that the provision of spectacles is not a medical service and that the United Kingdom is in breach of its Treaty obligations by exempting the provision of spectacles from VAT.

Government Spokesman: Lord Brabazon. Customs in the lead.

Monday 16 May Lord Gainford - To ask Her Majesty's Government by how much duty on low alcohol mixed drinks will decrease as a result of the changes announced in the Budget.

Government Spokesman: Lord Young. Customs in the lead.

TREASURY INTEREST BUSINESS

Monday 9 May

Local Government Finance Bill - Second Reading

Government Spokesman: Lord Caithness.

ORAL QUESTION

Tuesday 10 May The Earl Alexander of Tunis - To ask Her Majesty's Government whether they intend to allow listed public companies the option of supplying shareholders with a short form of their annual report and accounts.

Government Spokesman: Lord Young. DTI in the lead.

- * Oral question originally scheduled for 4 May, and Lord Young had agreed to field it on that day. He cannot field it on 9 May due to diary commitments.

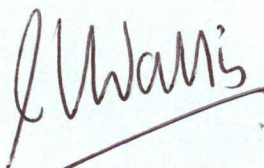
Thursday 12 May **The Lord Nugent of Guildford** - To ask Her Majesty's Government what is their policy towards foreign investment in statutory water companies.

Government Spokesman: Lord Caithness. Environment in the lead.

GOVERNMENT DEBATE

Friday 20 May **The Viscount Davidson** - To call attention to the White Paper on Privatising Electricity - The Government's proposals for the privatisation of the electricity supply industry in England and Wales (Cm 322)

Government Spokesman: Viscount Davidson. Energy in the lead.



C L WALLIS

CONFIDENTIAL



FROM: B O DYER
DATE: 20 April 1988

CHANCELLOR

cc Chief Secretary
 Financial Secretary
 Paymaster General
 Economic Secretary
 Mr R I G Allen
 Mr P Cropper
 Mrs J Thorpe

CABINET : THURSDAY 21 APRIL 1988
PARLIAMENTARY AFFAIRS

Following is the business, currently, proposed for the Commons next week:

Monday 25 April

- 2.30pm: Welsh Questions
 3.30pm: **Local Government Finance Bill:** completion of Remaining Stages.

Tuesday 26 April

- 2.30pm: Defence Questions
 3.15pm: PMs Questions
 3.30pm: Ten Minute Rule Bill (Armed Forces Houses: Mr J Brazier)
 3.40pm: **Finance Bill:** Second Reading - **CST & FST**
 * 10.00pm: **Committal Motion** - **FST** (splitting Committee Stage of the Finance Bill between CWH and Standing Committee)

Wednesday 27 April

- 2.30pm: Scottish Questions
 3.30pm: Ten Minute Rule Bill (Freedom from Junk Mail: Mr N Griffiths)
 3.40pm: **Copyright Bill:** Second Reading

Thursday 28 April

- 2.30pm: Northern Ireland Questions
 3.15pm: PMs Questions
 3.30pm: Business Statement
 3.50pm: [**Opposition 9th Allotted Day** - subject to be announced]

Friday 29 April

- 9.30am: **Private Members' Bills**
1. Licensing (Retail Sales): Remaining Stages
 2. Access to Medical Reports: Committee Stage
 3. Medical Examination of Children at Risk: Second Reading
 4. Security Services (Parliamentary Scrutiny): Second Reading

* or 10.20pm, assuming a division on Second Reading.


 B O DYER



Minister of State

Department of Employment

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 5805

Switchboard 01-213 3000

mmp

The Rt Hon John Wakeham MP
Lord President of the Council and
Leader of the House of Commons
Privy Council Office
Whitehall
LONDON SW1A 2AT

EXCHEQUER	
REC.	26 APR 1988 ✓
ACTION	FST
COPIES TO	

26/4

26 April 1988

Dear John

DEBATE: PROPOSALS FOR COUNCIL DIRECTIVES ON THE PROTECTION OF WORKERS FROM EXPOSURE TO CHEMICAL, PHYSICAL AND BIOLOGICAL AGENTS (7658/86 AND 9928/87) AND FROM RISKS FROM CARCINOGENS (10662/87) AND ON THE MARKETING AND USE OF CERTAIN DANGEROUS SUBSTANCES AND PREPARATIONS (4544/88)

The House of Commons Select Committee on European Legislation has reported (Fifth Report 1986-87, Eleventh, Fifteenth and Twentieth Reports 1987-88) that the three proposals raise questions of legal and political importance and should be given further consideration by the House.

The Exposure Limits Directive proposes a mechanism for setting occupational exposure limits for chemical substances, together with the requirement to monitor workers' exposure in certain circumstances. In view of the social and economic implications, the Committee sought comments from a number of organisations; they noted that while there was general support for the aims of the original proposal, there was criticism on both administrative and scientific grounds and concern as to whether the real benefits would match economic and other costs. The Carcinogens Directive aims to speed up progress on the prevention of occupational cancer; it puts forward a framework of occupational hygiene to be applied by employers in handling 31 substances classified as "may cause cancer" and eight industrial processes internationally recognised as causing cancer. Dangerous Substances is a useful minor proposal restricting the marketing and use of seven further categories of dangerous substances; the proposals cover safety and health, risks to the environment and consumer protection.

RESTRICTED

The Carcinogens Directive is making fair progress in the working group and it is very possible that the Social Affairs Council in June could adopt a common position. There are, however, several points of detail to be pursued in the working group negotiations and one of principle, health surveillance requirements, to be resolved to ensure that unnecessary health examinations are not required. Substantial amendments have been effected to the Exposure Limits Directive during the negotiations, though a few problems still remain. The Presidency have indicated that it is their intention to ask the Social Affairs Council to adopt a common position on the proposal in June. In general, the proposals accord with legislation (Control of Substances Hazardous to Health Regulations) being prepared by the Health and Safety Commission. Dangerous Substances is a new document, which has not yet been discussed in the Working Group but the UK can support all but one of its seven proposals.

We could conveniently follow the Scrutiny Committee's recommendation to debate the proposals together; I do however question their recommendation for debate on the floor of the House; the proposals are somewhat technical and would in my view be suitable for debate in Standing Committee. On timing, while the Scrutiny Committee recommended that the debate on Carcinogens should be held after the outcome of various negotiating issues was known, given the possibility of the Council adopting common positions on both Exposure Limits and Carcinogens on 9 June, I would very much prefer that the debate takes place before the Council meeting; a date towards the end of May would enable us to take into account the results of further Working Group meetings.

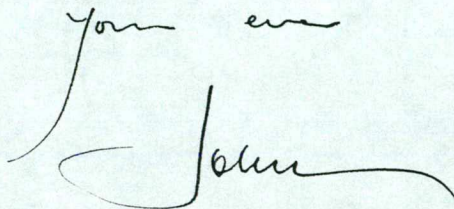
I suggest that the motion should be:

"That this House takes note of European Community Documents Nos 7658/86, 7658/86 COR1, and 9928/87 on a proposal to amend the Council Directive on the protection of workers from the risks related to exposure to chemical agents; Document No 10662/87 on a proposal for a Council Directive on the protection of workers from the risks related to exposure to Carcinogens and of Document No 4544/88 on a proposal for a Council Directive restricting the marketing and use of certain substances and preparations; supports the directives in principle as steps towards harmonised standards for controlling harmful substances, preparations and processes; and endorses the Government's endeavour to obtain modifications in negotiations".

RESTRICTED

Our proposed line in the debate is that the Government supports in principle proposals for directives which provide for the same high standards throughout the Community, but seeks to amend them so that they are justified on scientific, technical and medical grounds and will ensure adequate protection in the most cost effective way.

I should be grateful for the Committee's agreement to hold a debate to meet scrutiny requirements in Standing Committee, in May. I am copying this letter to the members of L, the Chairman and members of OD(E), Nicholas Ridley, Sir Robin Butler and the Secretaries of L and OD(E).

You are


JOHN COPE

RESTRICTED

CONFIDENTIAL



FROM: B O DYER
DATE: 27 April 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr R I G Allen
Mr P Cropper
Mrs J Thorpe

**CABINET : THURSDAY 28 APRIL 1988
PARLIAMENTARY AFFAIRS**

Following is the business, currently, proposed for the Commons next week:

Tuesday 3 May

- 2.30pm: Employment Questions
- 3.15pm: PMS Questions
- 3.30pm: Ten Minute Rule Bill (Legal Profession - Abolition of Restrictive Practices: Mr A Mitchell)
- 3.40pm: **Finance Bill Committee: 1st Day**
(Ordering Motion - FST; Clauses 22, 23, 27, and 28: CST/FST)

Wednesday 4 May

- 2.30pm: Foreign and Commonwealth Questions
- 3.30pm: Ten Minute Rule Bill (Right to Live - Mr D Howell)
- 3.40pm: [To be decided, but the business will include consideration of Lords Amendments to the **Immigration Bill** and the **Public Utility Transfers and Water Charges Bill**]

Thursday 5 May

- 2.30pm: MAFF Questions
- 3.15pm: PMS Questions
- 3.30pm: Business Statement
- 3.50pm: **Debate on Agriculture** on a Motion for the Adjournment
- 10.00pm: **Farm Land and Rural Development Bill: Remaining Stages**

Friday 6 May

- 9.30am: **Private Members' Bills**
 1. Abortion (Amdt): Report Stage
 2. Empty Property and Community Aid: Second Reading
 3. Indecent Displays (Newspapers): Second Reading
 4. Underground Fires: Second Reading


B O DYER

PHF

A Hudson Esq
Chancellor of the Exchequer's Office
Room 13/2
HM Treasury
Parliament Street
LONDON SW1P 3AG

**Department of
Trade and Industry**

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5029
Our ref
Your ref
Date 28 April 1988

CH/EXCHEQUER	
REC.	28 APR 1988
ACTION	Mr Pickford
COPIES TO	Mr Hibberd
	Mr SJ Davies
	Mr MacAulian
	Mr Tyrie

*Initial comments
by lunchtime tomorrow
(Friday 29), ~~plz~~ please.*

Dear Andrew,

HOUSE OF LORDS DEBATE : 4 MAY

There is a debate in the House of Lords on a motion from Lord Joseph on "the gap between British and North West European manufacturing productivity, its implications for British earnings and for public and social services, and the case for more entrepreneurs to provide more jobs; and to move for papers." Lord Young will be speaking in the debate and I attach a rough first draft of his speech, on which I would be grateful for your initial comments. I will give him a revised draft for the weekend and will be able to send the near final draft to you on Tuesday next week.

Yours,

Peter Makeham

PETER MAKEHAM

h 1. My Lords, the House is indebted to Lord Joseph for raising in his motion issues of such ^afundamental_h importance to the future prosperity of this country.

2. There is an inexorable logic in Lord Joseph's motion which I find irresistible. The logic is:

- that our nation must raise its productivity in industry and commerce;
- that, that growth in efficiency is the essential foundation of a rising standard of living, both in private wealth and in public services;
- and, that the source of our future productivity and wealth lies in the enterprise of individuals.

3. My Lords, the motion calls attention to the gap between British and North West European manufacturing productivity. The available evidence suggests indeed that our level of productivity in manufacturing remains below our major competitors, including France and Germany. But, in recent years, we have made significant progress in closing the productivity gap. In the 1960s and 70s the UK was at the bottom of the productivity growth league; now it

[Ahead of Japan for manuf; equal for whole economy.]
x

is at the top. [Check, true of Japan too?]. Average productivity growth in our competitors has remained, on average, around 3.5% per annum; above the UK of the 1970s, ^{where} with productivity growth averaging ^{ed} about 1.5% a year, but below the UK of the 80s, ^{where} with productivity ^{growth has} averaging ^{ed} nearly ^{over} 5% a year.

4. Since 1980, firms have overcome some of the barriers to change. They have invested in new technology; they have brought in greater flexibility in working arrangements; they have reaped the advantage of a better climate in industrial relations.

5. But the gap in productivity still remains. Our task is to spread best practice even further across British industry and commerce. I identify three areas as critical in achieving higher levels of productivity:

- first, innovation and particularly the transfer of the latest technologies to many of our firms. Technology transfer forms a major element in the Government's innovation policies. Probably the greatest impact on innovation will come not from major steps in new technology but from applying widely the technologies that have already been developed, particularly in our small and medium sized companies. That is why reaching out to

these companies through the Enterprise Initiative is so important.

- X
- second, training. The need for industry to invest in training both at a technical and managerial level has been continually emphasised by this Government. ~~I regard~~ ^T the recent developments, in creating a logical structure of qualifications through the National Council of Vocational Qualifications and, for managers, through the Charter group, ^{are} as highly significant. They will give the essential infrastructure to encourage individuals in developing a career pattern and to encourage companies in recognising the value of training;

↳ industry to do more.

- third, employee involvement. The benefits to companies of closely involving their employees in the direction and success of the company accounts for major differences in productivity levels between businesses. The impression that Japanese companies have made by involving employees and by showing the closest attention to details has shown us just what can be done. Such changes do not require major financial investment but they do require good management and a business strategy centred on people.

↳ Govt has helped through tax reliefs...

6. All these elements - innovation, training, and employee involvement - add up to greater flexibility, better use of resources and ultimately higher productivity. A number of companies have achieved such changes; too many have not. The scope for UK industry to raise its level of productivity remains considerable.

7. Higher productivity provides the basis for improved competitiveness, stronger growth, higher earnings, and lower unemployment. But it does not automatically achieve those goals. If the gains of productivity are completely matched by increased earnings, then competitiveness is not increased [for unit wage costs remain identical.]

8. And, if higher productivity is simply reflected in higher earnings, there is no scope for increased profitability. Without that there is not the scope for investment or innovation or increased training, or ^{any of the other} ~~all the~~ changes needed to achieve long-term prosperity and security of employment.

9. My Lords, we should welcome the fact that profitability in manufacturing is now at its highest level ^{for 15 years} since [Date]. But it remains below the levels of the late 1960s. It remains well below the rates achieved by our competitors.

10. We need higher levels of profits in manufacturing to increase the incentive to invest. Too often in the past people invested either overseas or in low risk financial assets within the UK. We will only change that with higher profits - a better return to investors - in UK industry.

11. My Lords, one of the few points which I find difficult about this motion is its emphasis on manufacturing productivity. Our standard of living and the ability of our economy to generate the wealth which can provide public services depends on the productivity and efficiency of the whole economy not just the manufacturing sector.

12. What we do know is that our industries and our services, both must be efficient, both must make profits. The key difference is not that between manufacturing and services but between wealth consumption and wealth creation. At the beginning of the decade, our nationalised industries - many in manufacturing - were enormous consumers of taxes. Today those same companies are creators of wealth and contribute towards our increase in living standards.

13. My Lords, we all recognise that the resources which we can put into our public services depend on an efficient economy. We should all recognise too that the level of

public services is not just a result of the resources put into them. This Government has put considerable effort into improving the efficiency with which public sector resources are used. It has been partly achieved by contracting out services and partly by setting clear priorities, objectives and performance standards within the public sector. [For example, in local Government the contracting out of services such as street cleaning and refuse collection has produced estimated annual savings of around 25 million pounds. Such advances both increase productivity and reduce the extent to which wealth created in the private sector has to be diverted into the public sector.]

14. My Lords, our concern in this debate is essentially the best way to encourage a successful economy which will provide our people with the goods and services they need. I believe the key to that is widening the scope given to the Enterprise of individuals, their skills, their ability and their initiative.

15. We set ourselves the objective of encouraging enterprise in 1979. Since then we have come along way:

- the number of businesses has increased by 180,000, on average 500 more businesses a week;

- the number of self-employed has increased by 800,000, up by a third since 1979;
- and the enterprise allowance scheme has seen 260,000 unemployed people setting up their own businesses.

16. The whole climate for wealth creation and enterprise has changed:

- the links between education and the needs of industry have been strengthened; the technical and vocational education initiative, the national council for vocational qualification and open college strengthened those links and raised the skills and enterprise of individuals;
- the changes in the tax system have put more emphasis on incentives, rewards and risk both for individuals through lower personal taxation and for businesses through ^{lower tax rates and} initiatives such as the business expansion scheme;
- people have been encouraged to start up their own businesses through direct incentives such as the enterprise allowance scheme and through the encouragement of a network of local enterprise

agencies;

- people in business have had more time to spend on developing their own business through lifting the burden of ~~deregulation~~;
- and we have encouraged businesses to flourish through opening up professions, encouraging competition and removing companies from state control.

17. So we have come a long way. We are seeing the return of enterprise to our economy. But we have much more to do to ensure that the enterprise culture is given a chance to become part of the British way of life and to work with industry in increasing our efficiency and competitiveness.

18. I should say to Lord Joseph - and I do not think that he will disagree with me - ^{that} but it is not the ^{prime} task of entrepreneurs to create more jobs. Perhaps I can quote from John Harvey Jones who said "in this country, uniquely, industry is looked upon as a means of providing jobs, and that actually isn't the job of industry. The job of industry is to create wealth: just so. And the job of Government is ^{to} provide a climate in which our people can use their enterprise and skills to develop industries which compete on ability.

Redraft. Add at end: if we have successful, profitable businesses, will see more jobs anyway - as we are.

Peroration

19. [To be done]

CONFIDENTIAL



FROM: B O DYER
DATE: 4 May 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr R I G Allen
Mr P Cropper
Mrs J Thorpe

CABINET : THURSDAY 5 MAY 1988
PARLIAMENTARY AFFAIRS

Following is the business, currently, proposed for the Commons next week:

Monday 9 May

2.30pm: Energy Questions
3.20pm: Civil Service Questions (Mr Luce)
3.30pm: **Finance Bill Committee: 2nd Day**
(Clauses 49, 31, 98, 26 - **FST/EST**)
Half hour Adjournment Debate - PMG: Relocation of
Government Departments (Mr J Cran)

Tuesday 10 May

2.30pm: Social Services Questions
3.15pm: PMs Questions
3.30pm: Ten Minute Rule Bill (Take Overs and Merger: Mr D Hoyle)
3.40pm: **Finance Bill Committee: Concluding Day**
(Clauses 127, 91 (+ Sch 7), 128, 42 - **CST/PMG/EST**)

Wednesday 11 May

2.30pm: Trade and Industry Questions
3.30pm: Ten Minute Rule Bill (Dock Labour - Amdt and Limitation:
Mr D Davis)
3.40pm: **Opposition 11th Allotted Day** (subject to be announced)
10.00pm: **Indirect Tax Harmonisation - EST** (1½ hour debate on
a 'take note' motion)

Thursday 12 May

2.30pm: **Treasury Questions (C/Ex, CST, FST, PMG)**
3.15pm: PMs Questions
3.30pm: Business Statement (Lord Pres.)
3.50pm: [**To be decided** - possibly the Attorney General's Bills,
eg Foreign Marriages, Court of Session, Matrimonial
Proceedings]
7.00pm: **Opposed Private Business**

Friday 13 May

9.30am: **Private Members' Bills**

1. Misuse of Drugs: Second Reading
2. Elimination of Poverty in Old Age: Second Reading
3. Cervical Cancer (Testing and Treatment): Second Reading
4. Polyurethane Foam (Misc Prov): Second Reading



B O DYER
Parliamentary Clerk



Handwritten initials

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Minister for Health

Ms Alison Smith
Private Secretary to the
Lord President of the Council and Leader of the
House of Commons
Privy Council Office
Whitehall
LONDON
SW1A 2AT

CH/EXCHEQUER	
REC.	05 MAY 1988 ✓
ACTION	FST
COPIES TO	

Red checkmark

5 May 1988

Dear Alison,

Further to Flora Goldhill's letter of 29 April, I attach an additional briefing note outlining the effect of the amendments which have been tabled for the Report Stage of David Alton's Bill to alter the gestational age, at present set at 18 weeks in the Bill.

A number of other amendments have also been put down ranging from major modifications in the Bill as it stands to in effect maintaining the status quo in the 1967 Act. It is hard to predict if there will be any clear consensus but, in the Minister's view the Bill's supporters are unlikely to settle for as radical an amendment as, say, 24 weeks.

I am copying this letter to the private secretaries to other members of the Cabinet and to Sir Robin Butler.

Yours sincerely,

Handwritten signature

MISS J M HARPER
Personal Secretary

1. As amended in Committee the Bill would introduce an upper limit to the gestational age at which abortions can be performed, subject to the following exceptions:

- cases where the mother's life was in danger
- cases of rape or incest against women under 18
- cases of severe fetal disability

If enacted in its present form the Bill would in practice prevent abortions after the beginning of the 18th week which would otherwise have been legal on the ground that they were necessary to protect the physical or mental health of the mother or her children.

2. On the basis of 1986 figures for England and Wales, and assuming all abortions carried out on grounds of fetal handicap would be covered by the exceptions in the Bill, the effect of the main amendments on gestational age would be as follows:

Proposed Amendment	Total Abortions in 1986	Excluded by Proposed New Provision
Beginning of 18th week (Alton Bill as amended in Committee)	8276	7630
18th completed week (Amendment No 3)	5665	5162
20th completed week (Amendment No 4)	2723	2515
22nd completed week (Amendment No 5)	1094	1013
24th completed week (Amendments 6 and 7)	29	7
26th week (Amendment 2)	18	3
27th week (Amendment 1)	4	None

PRS/Chancellor

[Handwritten signature]

FROM : MISS J C SIMPSON
DATE : 6 MAY 1988

1. MR PICKFORD ^{still 6/5}
2. CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Paymaster General
Sir P Middleton
Sir T Burns
Mr R I G Allen
Mr Dyer
Mr Hudson
Mr Patterson
Mr Curwen
Mr Hutson (+ 5 copies)
Mr Cropper
Mr Tyrie
Mr Call

Mr N Forman MP
Mr T Favell MP
Mr J Maples MP
Mr M Stern MP

TREASURY FIRST ORDER QUESTIONS : THURSDAY, 12 MAY
EB DRAFT CENTRAL BRIEF

1. I attach EB's draft central brief.
2. The brief contains:
 - (i) Bull points
 - (ii) Key statistics
 - checklist of main indicators published recently and and to be published by 12 May (A1)
 - developments since the 1983 election (A2)
 - (iii) General briefing on topical issues.

3. The questions mostly fall into two main groups, relating to either the Budget or the economy generally.

(i) the Budget There are seven questions in the first twenty on the taxation measures in the Budget. The majority of these (five) come from Government MPs. None is likely to cause any serious difficulty and should give the opportunity to reiterate bull points about the Budget. ETS and ST1 have prepared, in addition to the information requested in Mr Allan's minute of 28 April, a subject brief on the distributional effects of the income tax and social security changes.

(ii) the economy There are nine questions in the first twenty on different aspects of the economy. Four (two grouped) deal with the balance of payments, either in isolation or in relation to the Budget or recent exchange rate movements. There is also a question on net overseas assets. Two deal with inflation prospects, and two with growth. There are also two questions which are probably 'disguised' exchange rate questions; one ostensibly about discussions with the EC on European monetary matters and the other about your meetings with the Governor. Although some of the questions are more awkward than we would ideally like, they should still give you an opportunity to get across the usual points about the underlying strength of the economy. EA2, MP1 and MG1 have prepared a composite brief on the balance of payments/Budget/exchange rate nexus, and IF2 one, as background, on international comparisons.

The two remaining questions in the first twenty deal with Government advertising costs.

3. It would be nice to be able to stop before Dr Reid's question on your meetings with the Governor. This is at present the fourteenth question on the list, although there is also an extra

grouped question before it. Unfortunately, this looks rather difficult to achieve; the preceding questions do not offer much scope for helpful long runs. Between Dr Reid's question and Mr Knapman's (the present twentieth) there is no obvious stopping point. The immediately succeeding question (Mr Beith) is equally awkward, two of the next four harmless because they will have been effectively dealt with earlier and the remaining two (Mr Dickens' and Mr Knapman's - especially the latter) positively helpful.

4. There are few statistics coming out between now and next Thursday. The most significant are for credit business and producer prices in April (provisional), both on Monday morning. The Bank of England Quarterly Bulletin is published on the same day as First Orders, but with an embargo deadline of 5.30 pm.
5. Subject briefs will be attached to the relevant questions in the usual way.

B

MISS J C SIMPSON

BULL POINTS

1. Industry

Profitability in non-North Sea industrial and commercial companies risen every year since 1981 and in 1987 estimated to be at highest level for 20 years.

Since 1980 manufacturing productivity growth faster than in any other major industrialised country. UK bottom of international league table in both 1960s and 1970s.

CBI's April Survey indicated continuing high level of optimism concerning general business prospects with balance of firms reporting intention to increase capital expenditure over next 12 months highest since 1973.

2. Output and jobs

UK grew faster than any other major industrial country in 1987 - first year for a generation that rate of growth exceeded rate of inflation.

Adult unemployment (seasonally adjusted) at lowest level since 1981.

Employment rose by over $\frac{1}{2}$ million in 1987, more than in any year for 30 years.

3. Living standards

Real take-home pay of married man with 2 children on male average earnings risen over 27 per cent between 1978-79 and 1988-89; up only $\frac{1}{2}$ per cent between 1973-74 and 1978-79.

With substantial cuts in income tax in 1988 Budget, Tax and Prices Index in 1988Q4 likely to be only 1.75 per cent higher than year earlier.

P S CURWEN
EB Division
Ext 5206

MAIN ECONOMIC INDICATORS PUBLISHED SINCE 14 APRIL AND TO BE
PUBLISHED BY 12 MAY

- 15 April Index of output of the production industries (Feb)
- Industrial production in 3 months to February down marginally on previous 3 months but up nearly 3½ per cent on a year earlier.
 - Manufacturing output fell by 3 per cent between January and February, but in 3 months to February up nearly ½ per cent on previous 3 months and up over 5½ per cent on a year earlier.
- 15 April Labour market statistics
- Unemployment (sa, excl. school leavers) (Mar) down 28,000 to 2,505,000. 'Headline' total down 73,000 to 2,592,000.
 - Employed labour force rose by 146,000 between 1987Q3 and 1987Q4.
 - Manufacturing employment (Feb) up 4,000 from Jan to 5,039,000.
 - Vacancies (Mar) down 2,000 to 246,000.
 - Average earnings (Feb) underlying annual increase 8½ per cent.
 - Manufacturing unit wage costs in 3 months to February up 2 per cent on a year earlier.
 - Manufacturing productivity in 3 months to February up nearly 6 per cent on a year earlier.
- 15 April Retail prices index (Mar)
- Annual rate 3.5 per cent.
- Tax and prices index (Mar)
- Annual rate 1.6 per cent.
- 18 April Retail Sales (Mar-prov)
- In 3 months to March up 1¼ per cent on previous 3 months and up 7½ per cent on a year earlier.

- 20 April Public sector borrowing requirement (Mar and 1987-88)
- £3.8 billion in March. Surplus of £3.6 billion in financial year 1987-88 (ie. a net repayment). Excluding privatisation proceeds borrowing requirement of £1.5 billion in 1987-88.
- 22 April Consumers' expenditure (Q1-prov)
- In 1988Q1 provisionally estimated to be up 0.6 per cent on previous quarter and up 6.2 per cent on a year earlier.
- 26 April CBI Monthly Industrial Trends Enquiry (Apr)
- Another good survey. Results show buoyant output, employment and order books, strong investment intentions and inflation expected to remain low. CBI comment 'business confidence remaining high with good prospects for sustainable economic growth'.
- 27 April Construction - new orders (Feb)
- In 3 months to February up 17 per cent on a year earlier.
- 29 April Monetary aggregates (Mar)
- M0 annual growth rate 6.4 per cent.
 - M3 annual growth rate 20.9 per cent.
 - M4 annual growth rate 16.8 per cent.
 - M5 annual growth rate 16.7 per cent.
- 29 April Balance of payments current account and overseas trade figures (Mar)
- March current account deficit of £254 million. Deficit in 1988Q1 of £1.8 billion.
 - In 3 months to March export volumes (excl oil and erratics) down 5½ per cent on previous 3 months and down ½ per cent on a year earlier.

- In 3 months to March import volumes (excl. oil and erratics) down 2½ per cent on previous 3 months but up 13 per cent on a year earlier.

4 May UK official reserves (Apr)

- Underlying rise of \$514 million.

TO BE PUBLISHED BY 12 MAY

9 May Retail Sales (Mar-final)

9 May Producer price indices (Apr)

DEVELOPMENTS SINCE JUNE 1983

Between 1983Q2 and 1987Q4 GDP(A) rose nearly 17 per cent at an annualised rate of 3½ per cent.

Inflation averaged less than 5 per cent. Back to levels of 1950s and 1960s.

Total employment up by over 1.6 million.

Unemployment down by 379,000 from 2,884,000 to 2,505,000

Total non-oil export volumes up nearly 28 per cent and manufacturing export volumes up over 32 per cent between 1983Q2 and 1988Q1.

Industrial production up 13½ per cent between 1983Q2 and 3 months to February.

Manufacturing output up nearly 18 per cent.

Manufacturing productivity up nearly 25 per cent.

P S CURWEN
EB
Ext 5206

GENERAL BRIEFING : TOPICAL ISSUES

1. Budget for rich?

- All 25 million taxpayers benefit from double indexation of allowances and basic rate cut. Budget tax cuts worth nearly £5 a week to married man on average earnings, equivalent to 3 per cent pay settlement
- three-quarters of total cost of income tax cuts in 1988-89 due to allowances and basic rate changes
- top 5 per cent of taxpayers pay one-third more in real terms than in 1978-79, while tax burden for other 95 per cent unchanged
- 60 per cent of higher rate gainers have incomes under £40,000.

2. Changes in tax have consistently favoured rich

- Real take-home pay of married man with two children on average male earnings rose less than 1 per cent under Labour. Taking account of Budget tax cuts, it will have risen over 27 per cent under this Government
- since 1979, main tax allowances increased by 25 per cent more than inflation; as result, nearly 1 and three-quarter million fewer taxpayers compared with indexed 1978-79 regime
- basic rate cut benefits all taxpayers; 1988 cut reduces marginal rate for 94 per cent.

3. Contrast between BUDget tax cuts for rich and impact of social security changes on poor

- Tax cuts mean everyone will keep more of own earnings and take about 65,000 off income-related benefits altogether - and hence out of poverty/unemployment traps
- assessment of means-tested benefits on net income more rational - eliminates marginal 'tax' rates over 100 per cent
- nearly 90 per cent of claimants gain or are unaffected (in cash terms) by benefit changes. Tax cuts help those on low incomes not entitled to benefits
- spending on social security up 40 per cent in real terms since we took office, and planned to increase further in real terms by 1990-91

- changes particularly help families and disabled. Family credit more generous than family income supplement. Disabled on Income Support gain on average £6.30 in weekly cash benefits.
- modifications to new housing benefit scheme announced 27 April illustrate flexibility in introduction of new improved scheme

4. Government should cut interest rates further and let exchange rate fall

- cutting interest rates when not justified by monetary conditions would simply lead to resurgence of inflation
- sterling depreciation against deutschemark in each of last 6 years weakened Government's battle against inflation and possibly led industry to rely on currency depreciation
- have consistently made clear that will not allow sterling to depreciate to accommodate excessive increases in domestic costs. Industry has welcomed exchange rate stability over past year.

5. Real interest rates penalising industry

- Industry doing very well: output up, profitability up, investment intentions highest for fifteen years
- renewed inflation would damage industry's confidence and willingness to invest
- no evidence that UK interest rates inhibiting growth or investment
- industry has four times as much to gain from 1 per cent off

pay rises as from 1 per cent off interest rates, even if latter were sustained for full year.

6. Exchange rate policy changed?

- Policy remains same. Aim of monetary policy to maintain downward pressure on inflation
- have made clear repeatedly that stability never implied complete immobility in all circumstances.

7. Huge current account deficits in 1988Q1 following deficit in 1987 show balance of payments crisis imminent

- 1987 deficit small relative to GDP, both historically and by international standards
- even forecast deficit for 1988 of £4 billion less than 1 per cent of GDP; in mid-1970s, UK deficit reached 3-4 per cent
- deficit not surprising when UK growing significantly faster than rest of world
- never look at single month's figures in isolation; balance of payments figures very erratic. And 1988Q1 figures may have been distorted by changes in documentation and classification system - unwise to attach too much importance to them until know to what extent have been distorted
- latest CBI survey shows balance of firms reporting export order books still well above normal
- general strength of economy and high level of overseas assets mean no problems in financing temporary deficit.

8. Manufacturing trade deficit

- Since 1981, UK has held share of world trade in manufacturing after decades of relative decline
- Export volumes up 1½ per cent in 1988Q1, compared to same period year earlier.

9. Manufacturing output still below June 1979

- Manufacturing output has risen under this Government (in three months to February, up 2½ per cent on 1979H1)
- it fell under Labour
- and on almost all objective indicators, manufacturing performance has been transformed: productivity, profitability exports etc.

10. Manufacturing investment still 10 per cent below 1979

- Manufacturing investment now growing strongly. Up nearly 38 per cent since 1983Q1 trough and in year to 1987Q4 up 8½ per cent

- DTI investment intentions survey (December) suggested further growth of 11 per cent in 1988. CBI industrial trends enquiries continue to show confidence - April quarterly survey showed balance of firms expecting to authorise increased capital expenditure over next 12 months highest for about 15 years
- not just quantity but quality of investment that is important. Quality improved since 1979 as evidenced by improvement in productivity and profitability.

12. Health Service funding

- Expenditure on health risen from 4.7 per cent of GDP in 1978 to 5.3 per cent in 1986. 1988 PEWP provided for £1.1 billion more for NHS in UK in 1988-89, compared to expected 1987-88 outturn, and have since added further £750 million
- net expenditure on NHS increased by some 30 per cent in real terms under this Government so far; 1988-89 plans provide for total increase of about 35 per cent since 1978-79
- number of operations and of patients treated expanding, and number of staff providing direct patient care (doctors, nurses etc) has increased both absolutely and as proportion of total
- Government also encouraging better use of resources through extensive value for money campaign.

12. Nurses' pay

- My RHF the Prime Minister announced 21 April that Review Body recommendations would be implemented and fully funded. £750 million extra will be provided from Reserve on top of £417 million included in plans
- average nurses' increase 15.3 per cent. Combined with radical new clinical grading structure designed to recognise extra qualifications, skills and responsibilities involved in direct patient care.

13. Decline of infrastructure: increase capital spending

- Increase in plans for public sector capital spending as result of 1987 Survey likely to be about £1½ billion in both 1988-89 and 1989-90. Details set out in 1988 PEWP
- equally important to note improved value for money Government has been able to secure eg six miles of motorway and trunk roads now for price of five (in real terms) in 1978-79.

14. Get unemployment down by capital spending/reflation/higher PSBR

- Fundamental error to imagine that higher spending/higher PSBR is way to successful economy and more jobs. 1987-88 saw lowest ratio of PSBR, excluding privatisation, to GDP since 1970, but we now have fastest growth since 1973 and record rise in jobs
- so-called reflation could only result in higher inflation. Fall in inflation was essential pre-condition for steady, sustained growth of last 7 years
- key to successful economy and lasting improvement in unemployment is reform to supply side
- essential that infrastructure schemes should be justified on merits. Otherwise increased spending would just distort economy and risk national recovery with no permanent benefits on rate of unemployment.

15. When will unemployment fall to June 1979 level?

- Latest figures show another significant drop - for twentieth consecutive month. Fallen by 533,000 over past year. Now at lowest level for over six years, since December 1981. Falling fast in all regions - biggest falls in last year in West Midlands, followed by North West and Yorkshire & Humberside.
- predicting trend always difficult, but see no reason why it should not continue downwards, given that all signs point to continued strength of economy
- never attempt to forecast level.

16. Extension of VAT base (especially to books, fuel and power for industry)

- PM gave specific pledges in exceptional circumstances of General Election. These will be honoured
- otherwise, stick to convention that decisions on taxes announced only in Budget
- [on spectacles case] As I/my HF the EST told the House, Government will abide by Court's decision, but will need to study it in detail before making firm decisions on how to proceed

- [on new construction and industrial energy] Advocate General's view in EC infraction case not binding on Court: cannot comment in advance of judgement

18. BP and KIO

- holding has been referred to Monopolies and Mergers Commission by my RH and Noble Friend Secretary of State for Trade and Industry on advice of Office of Fair Trading. Must await their conclusions
- Kuwaiti authorities have assured HMG that they have no ambitions to control BP nor any interest in any management role and that KIO holding in company intended as long-term investment
- increasing investment up to 29.9 per cent would be inconsistent with assurance of no intention of seeking to exercise control over BP

19. Rover Group sale to BAe

- In hands of BAe, Rover Group will have best available chance of developing its independent role in vehicle industry. Takeover will strengthen Rover's ability to compete at home and abroad and thus benefit all those who work with and for it, as well as economy as a whole
- terms of sale will mean elimination of taxpayer's prospective liability for Rover Group's accumulated debts of £1.6 billion. Will also extinguish over £1 billion of accumulated tax losses, worth about £400 million to the British economy. Not a 'golden giveaway'
- BAe looks on acquisition of Rover Group as long-term investment and is committed to maintenance and development in longer-term of Group's present business.


Miss J C Simpson
EB Division
Ext 5211



FROM: Assistant Parliamentary Clerk

DATE: 6 May 1988

PS/CHANCELLOR

Tony D. pl


cc PS/Chief Secretary
 PS/Financial Secretary
 PS/Paymaster General
 PS/Economic Secretary
 Mr Pickford
 Mr Jordan
 Mrs Brown
 Miss Sinclair
 Mr Allen
 Mr Dyer

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

You may wish to be aware of the following current forthcoming Treasury business in the Lords:

ORAL QUESTIONS

- * **Monday 9 May Lord Rugby** - To ask Her Majesty's Government whether they accept the ruling of the European Court of Justice on 23rd February (Case 353/85) that the provision of spectacles is not a medical service and that the United Kingdom is in breach of its Treaty obligations by exempting the provision of spectacles from VAT.

Government Spokesman: Lord Brabazon. Customs in the lead.

Monday 16 May Lord Gainford - To ask Her Majesty's Government by how much duty on low alcohol mixed drinks will decrease as a result of the changes announced in the Budget.

Government Spokesman: Lord Brabazon (Lord Young now cannot field this on behalf of HMT). Customs in the lead.

Thursday 19 May Lord Harris of Greenwich - to ask Her Majesty's Government what steps they are taking to improve the recruitment of lawyers for government departments in England and Wales.

Government Spokesman: Lord Young. PMR (HMT) in the lead.

TREASURY INTEREST BUSINESS

Monday 9 May

Local Government Finance Bill - Second Reading

Government Spokesman: Lord Caithness.

ORAL QUESTION

Tuesday 10 May The Earl Alexander of Tunis - To ask Her Majesty's Government whether they intend to allow listed public companies the option of supplying shareholders with a short form of their annual report and accounts.

Government Spokesman: Lord Young. DTI in the lead.

- * Oral question originally scheduled for 4 May, and Lord Young had agreed to field in on that day. He cannot field it on 9 May due to diary commitments.

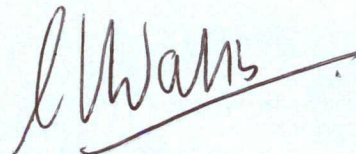
Thursday 12 May The Lord Nugent of Guildford - To ask Her Majesty's Government what is their policy towards foreign investment in statutory water companies.

Government Spokesman: Lord Caithness. Environment in the lead.

GOVERNMENT DEBATE

Friday 20 May The Viscount Davidson - To call attention to the White Paper on Privatising Electricity - The Government's proposals for the privatisation of the electricity supply industry in England and Wales (Cm 322)

Government Spokesman: Viscount Davidson. Energy in the lead.

A handwritten signature in dark ink, appearing to read 'C L Wallis', with a long horizontal stroke extending to the right.

C L WALLIS



FROM: A A DIGHT
DATE: 9 May 1988

MR C L WALLIS

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

The Chancellor has seen and was grateful for your minute of 6 May.

A handwritten signature in black ink, appearing to read "A A Dight".

A A DIGHT



10 DOWNING STREET

With the compliments of

Jamie Richards



House of Lords

May 9, 1988.

1. Mr. Gray 15/2/88

W

My dear Prime Minister

I think the attached article is most important and highlights the grave danger of Bills of this sort being "slipped in" without proper consideration by those most concerned, namely industry.

The principle is what concerns me and many others. As the leader writer says: "the thin end of the wedge" is what we must guard against.

I hope you will use your influence to ensure the Rhys Williams Bill is either withdrawn or heavily defeated.

Sincerely
James

The Rt. Hon. Mrs. Margaret Thatcher, MP.

Reply to: The Lord Hanson, 1 Grosvenor Place, London SW1X 7JH

COMMENT

by ALEX MURRAY

The Lords must mug this Bill

WHILE Social and Liberal Democrat MP David Alton bemoans the "mugging" by backbench MPs of his Private Member's Bill on abortion reform, another Private Member's Bill of rather more significance to the business world has been slipping quietly through—but not much longer, perhaps.

This is the Bill introduced by Tory MP Sir Brandon Rhys Williams proposing a system of audit committees for large companies with more than 2,000 employees. This Bill threatens to compel every public company of size to submit to shareholders every year for approval plans for asuch an audit committee (to look at the accounts and other matters) made up half by executive directors and half by non-executives.

There must be at least three of the latter on these committees, which therefore must be at least six-strong, and which will give these directors specific statutory responsibilities.

The Government is so far taking a neutral stance on this, possibly preoccupied with weightier matters. But it appears that the Bill has passed its Second Reading in the Commons and is due to go to the Lords for Second Reading in a week

or so. As a result the Confederation of British Industry is girding itself up for some lobbying because it believes this proposal is the thin end of the wedge in moving to a German-style system of two-tier company boards.

The Conservative party, as well as the CBI, has traditionally set itself firmly against the concept of two-tier boards. Now, however, Sir Brandon's apparently modest proposal raises this prospect again.

Of course, non-executive directors can make a very positive contribution to company boards. Events like the Guinness affair underline the need for strong non-executives when things start to get out of control.

Some companies, like the big banks, have a vast number of non-executives. Others have none. Sometimes the Bank of England, the merchant banks or the Stock Exchange insist that a company appoints one or two non-executives in return for financial support or admission to the exchange or whatever.

But this is not an area into which the law should step. The appointment of non-executives and the structure of audit committees should be by voluntary arrangement. Moreover, the concept of single-tier boards should not be eroded, even by this Bill (which does allow shareholders a vote on it). Sir Brandon might be upset by the premature abortion of his bill, but this could be the best solution. Let us hope their Lordships give it a mugging, at least.

CONFIDENTIAL



FROM: B O DYER
DATE: 11 May 1988

CHANCELLOR

cc Chief Secretary
 Financial Secretary
 Paymaster General
 Economic Secretary
 Mr R I G Allen
 Mr P Cropper
 Mrs J Thorpe

CABINET : THURSDAY 12 MAY 1988
PARLIAMENTARY AFFAIRS

Following is the business, currently, proposed for the Commons next week:

Monday 16 May

- 2.30pm: Transport Questions
 3.30pm: **Private Members' Motions**
 1. Mr S Chapman: Planning Controls
 2. Sir F Montgomery: Manchester Airport
 3. Mr S Orme: The North West
 7.00pm: Second Reading of the **Civil Evidence (Scotland) Bill**

Tuesday 17 May (Fin, Bill St. Cttee 2nd Day: 4.30pm)

- 2.30pm: Education and Science Questions
 3.15pm: PMs Questions
 3.30pm: Ten Minute Rule Bill (Working Life-Reduction in Hours: Mr Grocott)
 3.40pm: Remaining Stages of the **British Steel Bill**

Wednesday 18 May

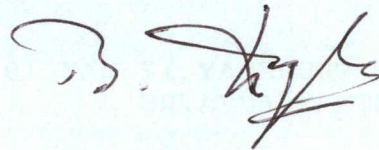
- 2.30pm: Environment Questions
 3.30pm: Ten Minute Rule Bill (Statutory Minimum Wage: Mr Battle)
 3.40pm: Conclusion of Remaining Stages of the **British Steel Bill**

Thursday 19 May (Fin, Bill St. Cttee 3rd Day: 4.30pm)

- 2.30pm: Home Office Questions
 3.15pm: PMs Questions
 3.30pm: Business Statement
 3.50pm: **Opposition 12th Allotted Day:** halfday debate on a subject to be announced
 7.00pm: **Debate on EC Budget Docs (future financing): PMG**

Friday 20 May

9.30am: Debate on the Arts on a Motion for the Adjournment
(Mr Luce)



B O DYER
Parliamentary Clerk

P.S. I expect Monday, 23 May to be an Opposition Allotted Day.



MP

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

16 May 1988

Dear Lynda

MR TONY BENN'S EUROPEAN COMMUNITIES (AMENDMENT) BILL

Thank you for your letter of 9 May about Tony Benn's Bill.

I certainly agree that the Bill should be blocked at Second Reading and we shall make the necessary arrangements to secure this.

I am copying this letter to the members of L and OD(E) Committees and Sir Robin Butler.

John Wakeham
[Signature]

JOHN WAKEHAM

The Rt Hon Mrs Lynda Chalker MP
Minister of State
Foreign and Commonwealth Office

CH/EXCHEQUER	
REC.	17 MAY 1988 ✓ 1715
ACTION	FST
COPIES TO	



X-CHEQUER	
16 MAY 1988	
FST	
Office	
TO	

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

16 May 1988

~~Andrew - do you~~
think

[Handwritten initials]

Dear Private Secretary,

DEBATE ON THE MOTION FOR THE WHITSUN ADJOURNMENT

Time for this debate will be included in Thursday's Business Statement. I am thus writing, as usual, to all Private Offices to ask for material that the Leader of the House will need when winding up. I attach a list of those topics on which we would welcome a short background note and the line to take. I would be grateful if these could be as brief as possible (maximum of one side of A4 for the background note and half a side for the line to take).

In an attempt to minimise the amount of effort that this exercise usually represents for Departments, I have kept the list as short as possible. Whilst I welcome any further briefing you may wish to contribute, I would, however, ask you to limit your contributions to those subjects which are most likely to be raised.

Once the timing of the Debate has been announced, I would be grateful if you could also send me the names and telephone numbers of officials who could be contacted should briefing be required in the course of the debate. In view of the shortened list of briefing topics, this list of stand-by briefers will, as you can appreciate, be of considerable importance. I shall be in contact nearer the time to say exactly when officials should be standing by and also when you should let me have any briefing.

Many thanks for your help.

Yours sincerely

Jane F. Sell

JANE F SELL
Parliamentary Clerk

All Departments

cc All Parliamentary Clerks

MOTION ON THE WHITSUN ADJOURNMENT DEBATE - SUBJECTS

MAFF	Rural Economy; Green Pound; CAP Reform; Set Aside Scheme; Confectionery Industry; Prices for ADAS Advisory Services; Agricultural Research; EC Trade Policy.
Cabinet Office	'Spycatcher'; 'My Country: Right or Wrong'.
MOD	Bullying in the Army; European Fighter Aircraft; Nuclear Test Veterans; Exercise 'Fire Focus'; 'Learning from Experience' - Jordan/Lee Reports; Low Flying Aircraft/RAF Flight Safety; Boeing AWACS Offset Agreement; Job Losses Devonport Dockyards; Waldheim Inquiry; General Mohnke.
DES	Government Funding of Research; GCSE; Conductive Education; Special Educational Needs/Speech Therapy in Schools; Teachers' Pay and Conditions.
Employment	Unemployment; Job Training Scheme; Training for Employment; National Dock Labour Scheme; Construction Industry Safety; Tourism; P & O Dispute.
Energy	Sale of NCB Houses; Pit Closure; Electricity Privatisation; Fast Breeder Reactor Programme; Coal Privatisation; Coal Mining Subsidence.
DOE	Community Charge; National Business Rate; Widdecombe Report; Public Cemeteries; Nature Conservancy; Council Privatisation; NIREX Consultative Document; Homelessness.
FCO	South Africa; Central America; Arab/Israel; Terry Waite and Hostages; Human Rights; Iran/Iraq; UK/USSR Relations; Afganistan; Single Market; Gibraltar Shooting Incident; Hong Kong Basic Law.
DHSS	Abortion; NHS Review; Cervical Cancer Screening; AIDS; Warnock; Child Abuse; Nurses' Pay; Financing of Regional Health Authorities; Meningitis; Housing Benefit Special Unit; Opren; RPI Error; Passive Smoking; Griffiths Report; Grandparents' Rights.
HO	Official Secrets Act Section 2; Crime Prevention; Race Relations; Lunar House; Future of Broadcasting; War Crimes; Handling of MPs' Correspondence in Immigration Cases; 1987 Crime Figures; Concessionary Television Licences; Delays in Processing Passport Applications; Soccer Violence; Terrorism; Government Interference with Television Authorities.

HOC

Procedure Committee Reports; 'Short' Money; Members' Behaviour; Scottish Select Committee; Procedure for Private Members' Bills.

Law Officers/
Lord Chancellor

Family Courts.

NIO

Internal Political Development; Anglo-Irish Agreement; Extradition Arrangements; Fair Employment; Policing of Funerals;

ODA

Aid Programme; Ethiopia; War Service Credits for Colonial Service Pensioners.

SO

Prisons; Devolution/Mandate; Education-School Closure Regulations; Health Authorities Budgets; SSEB and Coal; Forestry; Community Charge.

DTI

Competition Policy; Inner Cities; Regional Policy; British Space Policy; Launch Aid for Airbus; Government R&D Statistics; EC/US: Airbus; Financial Services Act; Monopolies and Mergers Policy; Consumer Data; Post Office Privatisation; Single European Market Awareness Scheme; Single European Market Policy Aspects; Enterprise Initiative; Nestle/Rowntree.

DTp

Road Safety; Air Traffic Safety; Safety on the Underground; Settle-Carlisle Railway; Drinking and Driving; Rail Link to Channel Tunnel.

HMT

EC Budget; Government Data Network; VAT on Confectionery; Goods Supplied with Medical Care; Zero Rates Infraction Proceedings; Tax Approximation; Relocation Policy; Fees and Charges for Public Library Services.

WO

Welsh Language Legislation; Health Authorities; Programme for the Valleys; Welsh in the National Curriculum; Integrated Operations Programmes; Pit Closures; Cardiff Bay Barrage.

dti

the department for Enterprise

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Ms Flora Goldhill
Private Secretary to the Secretary of
State for Health and Social Security
Department of Health and Social Security
Richmond House
79 Whitehall
LONDON

**Department of
Trade and Industry**

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

SW1A 2NS

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422
Our ref PS7AIY
Your ref
Date 16 May 1988

CH/EXCHEQUER	
REC.	17 MAY 1988 <i>rh/s</i>
ACTION	FST
COPIES TO	

Dear Flora,

We spoke this morning about the letter which your Secretary of State had received from Lord Hanson about Sir Brandon Rhys-Williams Bill. Lord Young has discussed with this Lord Hanson and has made clear that the Government, whilst neutral, is not at all enthusiastic about this Bill. He has told Lord Hanson that the most satisfactory outcome would be for the Bill to be blocked by Back Benchers and Lord Mottistone has tabled a Motion which would have this effect. In the circumstances, I would suggest that your Secretary of State might reply in similar terms to the proposed draft we have sent to Number 10 for the Prime Minister, who has also received a similar letter.

Since I believe Lord Hanson has written to a number of Members of the Cabinet I am copying this letter to Private Secretaries of all Cabinet Ministers.

*Yr sincerely
STEPH RATCLIFFE*

STEPHEN RATCLIFFE
Private Secretary

DRAFT FOR THE PRIME MINISTER TO SEND TO LORD HANSON

Thank you for your letter of 9 May about Sir Brandon Rhys Williams' Private Members Bill.

I know you have talked to David Young about this and that he has explained that, while the Government has little enthusiasm for this Bill, its provisions have been so watered down that we have decided to take a neutral stance. Equally, we would be neutral on any amendments you sought to propose or on any motion such as Lord Mottistone's.



FROM: Assistant Parliamentary Clerk
DATE: 16 May 1988

01-270 5007

PS/CHANCELLOR

cc

PS/Chief Secretary
 PS/Financial Secretary
 PS/Paymaster General
 PS/Economic Secretary
 Mr Pickford
 Mr Jordan
 Mr Bonney
 Mr Allen
 Mr Dyer

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

You may wish to be aware of the following current forthcoming Treasury business in the Lords:

ORAL QUESTIONS

Monday 16 May Lord Gainford - To ask Her Majesty's Government by how much duty on low alcohol mixed drinks will decrease as a result of the changes announced in the Budget.

Government Spokesman: Lord Brabazon (Lord Young now cannot field this on behalf of HMT). Customs in the lead.

Thursday 19 May Lord Harris of Greenwich - to ask Her Majesty's Government what steps they are taking to improve the recruitment of lawyers for government departments in England and Wales.

Government Spokesman: Lord Young PMR (HMT) in the lead.

Wednesday 25 May Lord Bruce-Gardyne - To ask Her Majesty's Government on what grounds they have permission for NOMURA and DAIWA to commence trading in London as gilt-edge market makers.

Government Spokesman: Lord Young. IAEI (HMT) in the lead.

TREASURY INTEREST BUSINESS

GOVERNMENT DEBATE

Friday 20 May The Viscount Davidson - To call attention to the White Paper on Privatising Electricity - The Government's proposals for the privatisation of the electricity supply industry in England and Wales (Cm 322)

Government Spokesman: Viscount Davidson. Energy in the lead.

C L Wallis

C L WALLIS



PWD

FROM: A A DIGHT
DATE: 17 May 1988

MR C L WALLIS

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

The Chancellor has seen and was grateful for your minute of 16 May.

A handwritten signature in black ink, appearing to read "A A Dight".

A A DIGHT

CH/EXCHEQUER	
REC.	19 MAY 1988 19/5
ACTION	FST
COPIES TO	



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

18 May 1988

Can I see X pl.
M.
COPY ORDERED
FROM NO 10

TL
19/5

Thanks
m

BF 23/5

[Handwritten signature]

X Dear James

Thank you for your letter of 9 May about Sir Brandon Rhys Williams' Private Members Bill.

I know you have talked to David Young about this and that he has explained the position. The Government has little enthusiasm for this Bill. But, in view of the way it is now drafted, we have decided to take a neutral stance. Equally, we would be neutral on any amendments you sought to propose or on any motion such as Lord Mottistone's.

Yours ever

[Handwritten signature: Raymond]

HM TREASURY - MCU	
REC.	19 MAY 1988
ACTION	
SIGNATURE	
REF No.	

The Lord Hanson

CONFIDENTIAL



FROM: B O DYER
DATE: 18 May 1988

CHANCELLOR

cc Chief Secretary
 Financial Secretary
 Paymaster General
 Economic Secretary
 Mr R I G Allen
 Mr P Cropper
 Mrs J Thorpe

CABINET : THURSDAY 19 MAY 1988
PARLIAMENTARY AFFAIRS

The business for the Commons next week remains to be settled. I expect the provisional allocation below to be revised later tonight following Shadow Cabinet.

Monday 23 May

2.30pm: Welsh Questions

3.30pm: **Opposition 12th Alloted Day:** halfday debate on a subject to be announced

7.00pm: **Firearms (Amdt) Bill:** remaining stagesTuesday 24 May (Fin. Bill St. Cttee 4th Day: 4.30pm)

2.30pm: Defence Questions

3.15pm: PMS Questions

3.30pm: Ten Minute Rule Bill (Vaccine Damage - Dr J Reid)

3.40pm: **Employment Bill:** consideration of Lords Amendments10.00pm: **Lord Chancellor's Salary Order** (Lord President)Wednesday 25 May

2.30pm: Scottish Questions

3.30pm: Ten Minute Rule Bill (LA Searches and Enquiries - Mr M Moss)

3.40pm: **[Criminal Justice Bill:** Remaining stages - **NB.** I suspect this **may be deferred** in the light of the David Alton's amendment]

Thursday 26 May (Fin. Bill St. Cttee 5th Day: 4.30pm)

2.30pm: Northern Ireland Questions

3.15pm: PMS Questions

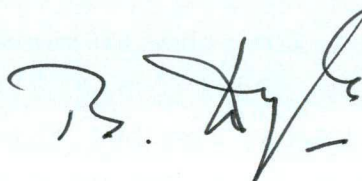
3.30pm: Business Statement

3.50pm: **Debate on Developments in the Community** (White Paper)7.00pm: **Motion for the Adjournment**

Friday 27 May

9.30am: Adjournment debates

Note: The House will rise at 3pm and **return on Tuesday 7 June.**

A handwritten signature in black ink, appearing to read 'B. O. Dyer', with a horizontal line underneath the name.

B O DYER
Parliamentary Clerk



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

19 May 1988

CH/EXCHEQUER	
REC.	20 MAY 1988 ✓ 20/5
ACTION	FST
COPIES TO	

Dear Private Secretary,

Further to my letter of 16 May 1988, I am writing to confirm that the Spring Adjournment Debate will take place on Thursday 26 May 1988 between 4 pm and 7.30 pm.

I would be most grateful if I could have all background briefing material by noon on Tuesday 24 May 1988 and the list of officials who will be standing by throughout the debate by noon on Wednesday 25 May 1988.

Thank you in anticipation.

Yours sincerely
Jane F. Sell

JANE F SELL
Parliamentary Clerk

All Departments

cc Parliamentary Clerks

CONFIDENTIAL



FROM: B O DYER
DATE: 25 May 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr R I G Allen
Mr P Cropper
Mrs J Thorpe

CABINET : THURSDAY 26 MAY 1988
PARLIAMENTARY AFFAIRS

Following is the business, currently, proposed for the Commons next week:

Tuesday 7 June

- 2.30pm: Employment Questions
- 3.15pm: PMs Questions
- 3.30pm: Ten Minute Rule Bill (Renewable Energy Development Agency - Mr F Cook)
- 3.40pm: **Opposition 13th Allotted Day** - subject to be announced.

Wednesday 8 June

- 2.30pm: Foreign and Commonwealth Questions
- 3.30pm: Ten Minute Rule Bill (Alcohol Health Warning - Mr T Banks)
- 3.40pm: **Criminal Justice Bill** (Lords) : Remaining Stages 1st Day.

Thursday 9 June

- 2.30pm: MAFF Questions
- 3.15pm: PMs Questions
- 3.30pm: Business Statement
- 3.50pm: **Housing Bill**: Remaining Stages 1st Day.

Friday 10 June

- 9.30am: To be decided (possibly Procedural Motions - Short Speeches, Public Petitions, or Court of Session Bill: Second Reading)

A handwritten signature in dark ink, appearing to read 'B. O. Dyer'.

B O DYER
Parliamentary Clerk

H/EXCHEQUER	
REC.	26 MAY 1988 ✓ 26/5
ACTION	FST
COPIES TO	



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

26 May 1988

MP

Dear Private Secretary

The Lord President of the Council and Leader of the House of Commons has asked me to pass on his thanks for all the background briefing provided both in advance of and during yesterday's Whitsun Adjournment debate.

Please can you also convey his thanks to those officials who very kindly volunteered to be on stand-by throughout the debate.

Yours sincerely

Jane F Sell.

JANE F SELL
Parliamentary Clerk

All Private Secretaries

cc All Parliamentary Clerks

EXCHEQUER	
REC.	26 MAY 1988 ✓ 26/5
ACTION	FST
COPIES TO	



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

26 May 1988

MP

Dee Paul

**SCRUTINY DEBATE ON PROPOSED EC DIRECTIVES
ABOUT SPRAY SUPPRESSION AND SIDEGUARDS**

Thank you for your letter of 19 May seeking L Committee's agreement to a debate on the Commission's proposal for directives on spray suppression devices and sideguards for heavy lorries and their trailers.

As you know, the Whips have arranged for a debate to take place after 10.00 pm on the Floor of the House on Tuesday 7 June.

I am copying this letter to the members of L and OD(E) Committees, Peter Bottomley and Sir Robin Butler.

John Wakeham
John

JOHN WAKEHAM

The Rt Hon Paul Channon MP
Secretary of State for Transport



FROM: Assistant Parliamentary Clerk
DATE: 2 June 1988

01-270 5007

PS/CHANCELLOR

cc PS/Chief Secretary
 PS/Financial Secretary
 PS/Paymaster General
 PS/Economic Secretary
 Miss O'Mara
 Mr Pickford
~~Mr Gilhooly~~ *Miss Seammes*
~~Mr Allen~~ *Mr. J. Gieve.*
 Mr Dyer

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

You may wish to be aware of the following current forthcoming Treasury business in the Lords:

ORAL QUESTION

Tuesday 7 June Lord Jay - To ask Her Majesty's Government whether they will take steps to ensure a reduction in interest rates.

Government Spokesman: Lord Brabazon. MG (HMT) in the lead.

Thursday 9 June Lord Chancellor's Salary Order 1988

Government Spokesman: Lord Beaverbrook. Pay 1 (HMT) in the lead.

TREASURY INTEREST BUSINESS

Monday 6 June Local Government Finance Bill - Committee stage continued.

ORAL QUESTIONS

Monday 6 June Lord Bruce-Gardyne - To ask Her Majesty's Government what requests have been received from British Aerospace plc for additional support from the taxpayer and for exchange rate guarantees in connection with their participation in the Airbus project; and what reply has been given.

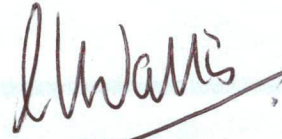
Government Spokesman: Lord Young. DTI in the lead.

Tuesday 7 June Lord Gray of Contin - To ask Her Majesty's Government what plans they have to ensure the British control of companies such as Rowntrees in the face of bids from overseas companies.

Government Spokesman: Lord Young. DTI in the lead.

Thursday 9 June **The Lord Hatch of Lusby** - To ask Her Majesty's Government what proportion of the Gross National Product of each Member State in the European Community is devoted to official overseas aid.

Government Spokesman: Lord Glenarthur. ODA in the lead.



C L WALLIS

CONFIDENTIAL



FROM: B O DYER
 DATE: 8 June 1988

CHANCELLOR

cc Chief Secretary
 Financial Secretary
 Paymaster General
 Economic Secretary
 Mr R I G Allen
 Mr P Cropper
 Mrs J Thorpe

CABINET : THURSDAY 9 JUNE 1988
PARLIAMENTARY AFFAIRS

Following is the business, currently, proposed for the Commons next week:

Monday 13 June

- 2.30pm: Energy Questions
 3.20pm: Civil Service Questions
 3.30pm: **Private Members' Motions**
1. Mining Subsidence - Mr A Meale
 2. Green Belt - Mr G Dickens
 3. Planning in the South East - Sir P Horden
- 7.00pm: **Dartford & Thurrock Crossing Bill** - consideration of Lords amendments
 7.30pm: **Finance Bill Ways & Means Resolutions - FST/EST**
 Followed by: **Housing Bill** - continuation of Remaining stages

Tuesday 14 June (Fin. Bill St. Cttee 8th day - 4.30pm)

- 2.30pm: Social Services Questions
 3.15pm: PMs Questions
 3.30pm: Ten Minute Rule Bill (Private Security - Mr B George)
 3.40pm: **Housing Bill** - continuation of Remaining stages.
 10.00pm: **EC Directive on Large Combustion Plants (DoE)**
 11.30pm: **Approval of 2 draft Building Societies Orders (Schedule (approx) 8) - EST**

Wednesday 15 June

- 2.30pm: Trade & Industry Questions
 3.30pm: Ten Minute Rule Bill (North West Regional Assembly - Mr I McCartney)
 3.40pm: **Housing Bill** - completion of Remaining stages

Thursday 16 June (Fin. Bill St. Cttee 9th day - 4.30pm)

2.30pm: **Treasury Questions - C/Ex, CST, FST, EST**

3.15pm: PMS Questions

3.30pm: Business Statement

3.50pm: **Criminal Justice Bill** - continuation of Remaining stages

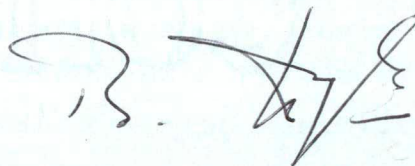
Friday 17 June

9.30am: **Debate on a Motion for the Adjournment** - subject to
be decided

Monday 20 June

2.30pm: Transport Questions

3.30pm: **Criminal Justice Bill** - completion of Remaining stages.



B O DYER
Parliamentary Clerk



FROM: B O DYER
DATE: 14 June 1988

psf

01-270 4520

CHANCELLOR

FIRST ORDER QUESTIONS : THURSDAY 16 JUNE

On reflection I would be inclined not to group the Bowen Wells PQ (No. 16: Sub-Saharan debt) with that from Jim Lester (No. 9: Enhanced Structural Adjustment Facility), for the following reasons:

First, the Speaker generally gives more time to Questions taken individually, than if they are grouped.

Secondly, I suspect one or two Members may be absent from the Chamber at Question Time; Thursday being the opening day of the Lords Test.

Thirdly, if we group 16 with 9, it is likely that the last Question to be called will be No. 15 (Alun Michael's 'marginal tax rates'); with the Government ending Question Time on the defensive. On the other hand, if not grouped and one or two Members are absent, we can run Question 16, and end on a high note.

A handwritten signature in black ink, appearing to be 'B O Dyer'.

B O DYER
Parliamentary Clerk

pyg

FROM: M PARKINSON
DATE: 15 JUNE 1988

RA. 15/6
Ch. content?
WT 15/6

- 1. MR R ALLEN
- 2. CHANCELLOR

- cc: Sir G Littler
- Mr Lankester
- Mr Peretz
- Mr Mercer
- Mr Mortimer
- Parliamentary Clerk

ECOFIN PQ

I attach for approval a draft arranged PQ and reply on the outcome of ECOFIN meeting on 13 June.

- 2. Perhaps Mr Taylor could let Parliamentary Section know if you are content with it, so that they can make the necessary arrangements.

Mark Parkinson
M PARKINSON

ECOFIN ARRANGED PQ

To ask the Chancellor of the Exchequer, if he will make a statement on the outcome of the latest meeting of the European Community's Economic and Finance Council.

Mr Nigel Lawson

The ECOFIN Council met in Luxembourg on 13 June. I represented the UK.

The Council approved the inter-institutional agreement between the Council, the European Parliament and the Commission on the implementation of the conclusions of the Brussels European Council on budget discipline.

The Council reached agreement on a Directive providing for complete liberalisation of capital movements in the Community and a Regulation combining the two existing mechanisms for medium term balance of payments support. The complete abolition of exchange controls by those countries that still retain them will represent an important move towards a freer and less regulated Europe, and an important step towards the completion of the single market.

The Council agreed that there should be further discussion on tax exemptions for temporary importations of means of transport.

CONFIDENTIAL



FROM: B O DYER
DATE: 15 June 1988

CHANCELLOR

cc Chief Secretary
 Financial Secretary
 Paymaster General
 Economic Secretary
 Mr J Gieve
 Mr P Cropper
 Mrs J Thorpe

CABINET : THURSDAY 16 JUNE 1988
PARLIAMENTARY AFFAIRS

The business for the Commons next week has still to be settled through the usual channels; but I expect it to accommodate the following:

Monday 20 June

- 2.30pm: Transport Questions
 3.20pm: **Criminal Justice Bill** - completion of remaining stages

Tuesday 21 June (Fin. Bill St. Cttee 10th day - 4.30pm)

- 2.30pm: Education and Science Questions
 3.15pm: PMs Questions
 3.30pm: Ten Minute Rule Bill (British Identity Card - Mr T Favell
 3.40pm: **School Boards (Scotland) Bill:** remaining stages
Electricity (Financial Provisions) (Scotland) Bill) second
Court of Session Bill) reading

Wednesday 22 June

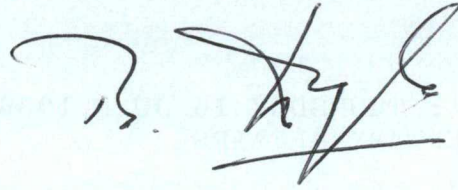
- 2.30pm: Environment Questions
 3.30pm: Ten Minute Rule Bill (Citizens Compensation Rights - Mr J Ashley)
 3.40pm: **Opposition 14th Allotted Day** - subject to be announced

Thursday 23 June (Fin. Bill St. Cttee 11th day - 4.30pm)

- 2.30pm: Home Office Questions
 3.15pm: PMs Questions
 3.30pm: Business Statement
 3.50pm: **Opposition 15th Allotted Day** - subject to be announced
[Financial assistance to Opposition parties; Procedural Motions - short speeches and public petitions]

Friday 24 June

9.30am: Debate on a Motion for the Adjournment - subject to
be decided

A handwritten signature in black ink, appearing to read 'B O Dyer', written in a cursive style.

B O DYER
Parliamentary Clerk

covering
PERSONAL and CONFIDENTIAL
until 11.30 am on 16 June
then UNCLASSIFIED

FROM : MISS J C SIMPSON
DATE : 15 JUNE 1988

- Handwritten: Tanya 101*
- Handwritten: [Signature]*
1. MR PICKFORD *8/2/88 15/6*
2. CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Economic Secretary
Sir P Middleton
Sir T Burns
Mr Gieve
Mr Dyer
Mr Hudson
Mr Patterson
Mr Curwen
Mr Hutson (+ 5 copies)
Mr Cropper
Mr Tyrie
Mr Call

Mr N Forman MP
Mr T Favell MP
Mr J Maples MP

TREASURY FIRST ORDER QUESTIONS : THURSDAY, 16 JUNE
EB CENTRAL BRIEF

1. I attach EB's central brief.
2. The brief contains:
 - (i) Bull points
 - (ii) Checklist of main indicators published recently
 - (iii) General briefing on topical issues.

Changes from the draft brief have been sidelined.

3. You agreed that you would try to ensure that the questions from Messrs Wolfson and McLoughlin on the labour market; Lester and Bowen Wells (which are to be grouped) on international debt; Evans (grouped with Dr Twinn's) and Page on aspects of the general

covering
PERSONAL and CONFIDENTIAL
until 11.30 am on 16 June
then UNCLASSIFIED

economy; and Hamilton on real take home pay should be given a good airing. You also agreed that the most obvious stopping point was Mr Page's question on company profitability. However, this question is only number 12, so that even with two grouped questions above it, it is likely that you will have to run slightly beyond it.

4. ETS and ST1 have prepared a subject brief on income and wealth distribution and the impact of the Budget and social security reforms. MG1 have prepared one on exchange rates, and EB one on the labour market. These have been attached to relevant questions in the usual way.

B

MISS J C SIMPSON

BULL POINTS

1. Output

UK grew faster than any other major industrial country in 1987 - first year for a generation that rate of growth exceeded rate of inflation.

Output measure of GDP up over 4½ per cent in year to 1988Q1.

Manufacturing output grown since 1979H1; fell between 1974H1 and 1979H1.

DTI Investment Intentions Survey (June) projects 16 per cent rise in manufacturing investment in 1988, and further increase in 1989.

2. Jobs

Adult unemployment (seasonally adjusted) fallen 22 months in a row, by nearly 800,000 in total and now at lowest level since 1981. Fall in unemployment now longest and largest since War.

Employment rose by over ½ million in 1987, more than in any year for 30 years.

3. Living standards

Real take-home pay of married man with 2 children on male average earnings risen over 27 per cent between 1978-79 and 1988-89; up only ½ per cent between 1973-74 and 1978-79.

With substantial cuts in income tax in 1988 Budget, Tax and Prices Index in 1988Q4 likely to be only 1.75 per cent higher than year earlier.

P S CURWEN
EB Division
Ext 5206

MAIN ECONOMIC INDICATORS PUBLISHED SINCE 13 MAY AND TO BE
PUBLISHED BY 16 JUNE

- 18 May Public sector borrowing requirement (Apr)
- Surplus of £0.9 billion in April (ie. a net repayment).
- 19 May Index of output of the production industries (Mar)
- Industrial production in 1988Q1 down nearly 1 per cent on 1987Q4 but up nearly 2½ per cent on 1987Q1.
- Manufacturing output in 1988Q1 down marginally on 1987Q4 but up nearly 5½ per cent on 1987Q1.
- 19 May Labour market statistics
- Unemployment (Apr), manufacturing employment (Mar), vacancies (Apr) and average earnings (Mar).
- Manufacturing unit wage costs in 1988Q1 up 2½ per cent on a year earlier.
- Manufacturing productivity in 1988Q1 up 5½ per cent on a year earlier.
- 19 May Capital expenditure by industry (Q1-prov)
- 20 May Retail prices index (Apr)
- Annual rate 3.9 per cent.
Tax and prices index (Apr)
- Annual rate 1.7 per cent.
- 23 May GDP(O) (Q1-prov)
GDP(O) in 1988Q1 up nearly ½ per cent on 1987Q4 and up over 4½ per cent on 1987Q1.
- 25 May Construction - new orders (Mar)
- In 1988Q1 up 20 per cent on a year earlier.

- 27 May Balance of payments current account and overseas trade figures (Apr)
- April current account deficit of £525 million.
 - In 3 months to April export volumes (excl oil and erratics) down 3 per cent on previous 3 months but unchanged from a year earlier.
 - In 3 months to April import volumes (excl. oil and erratics) down 2½ per cent on previous 3 months but up 13 per cent on a year earlier.
- 31 May CBI Monthly Industrial Trends Enquiry (May)
- Another encouraging survey. Results show continuing strong growth in output and order books. Also show sharp drop in balance of respondents expecting to increase prices over next 4 months.
- 31 May Monetary aggregates (Apr)
- M0 annual growth rate 5.9 per cent.
 - M3 annual growth rate 19.3 per cent.
 - M4 annual growth rate 15.9 per cent.
 - M5 annual growth rate 15.6 per cent.
- 2 June UK official reserves (May)
- Underlying rise of \$814 million.
- 2 June DTI Investment Intentions Survey
- Projected increase in manufacturing investment of 16 per cent in 1988. Projected rise for 'construction, distribution and selected service industries' of 10 per cent.
- 6 June Retail Sales (Apr-final)
- 13 June Retail Sales (May-prov)
- In 3 months to May up 1¼ per cent on previous 3 months and up nearly 7 per cent on a year earlier.

- 13 June Producer prices (May)
- Annual rate of output prices 4.2 per cent.
 - Annual rate of input prices 5.5 per cent.
- 16 June UK Balance of Payments (Q1)
- Estimate of invisibles surplus in 1988Q1 of £1.2 billion. Revised estimate of current account deficit of £2.8 billion in 1988Q1.
- 16 June Public sector borrowing requirement (May)
- Surplus of £0.6 billion in May (ie. a net repayment).
- 16 June Capital expenditure by industry (Q1-rev)
- Manufacturing investment (incl. leased assets) in 1988Q1 revised down slightly from provisional figures. But still shows growth of nearly 3½ per cent on 1987Q4 and of over 7 per cent on 1987Q1.
 - Industrial investment (manufacturing, construction, distribution and financial) in 1988Q1 revised down from provisional figures. In 1988Q1 down nearly 1 per cent on 1987Q4 but up 11½ per cent on 1987Q1.
- 16 June Labour market statistics
- Unemployment (sa, excl. school leavers) (May) down 38,000 to 2,416,000. 'Headline' total down 109,000 to 2,427,000.
 - Manufacturing employment (Apr) down 15,000 from Mar to 5,014,000.
 - Vacancies (Apr) up 2,000 to 256,000.
 - Average earnings (Apr) underlying annual increase up ¼ per cent to 8½ per cent

GENERAL BRIEFING : TOPICAL ISSUES

1. Budget for rich?

- All 25 million taxpayers benefit from double indexation of allowances and basic rate cut. Budget tax cuts worth nearly £5 a week to married man on average earnings, equivalent to 3 per cent pay settlement
- three-quarters of total cost of income tax cuts in 1988-89 due to allowances and basic rate changes
- top 5 per cent of taxpayers pay one-third more in real terms than in 1978-79, while tax burden for other 95 per cent unchanged
- 60 per cent of higher rate gainers have incomes under £40,000.

2. Changes in tax have consistently favoured rich

- Real take-home pay of married man with two children on average male earnings rose less than 1 per cent under Labour. Taking account of Budget tax cuts, it is likely to have risen over 27 per cent under this Government
- since 1979, main tax allowances increased by 25 per cent more than inflation; as result, nearly 1 and three-quarter million fewer taxpayers compared with indexed 1978-79 regime
- basic rate cut benefits all taxpayers; 1988 cut reduces marginal rate for 94 per cent.

3. Contrast between Budget tax cuts for rich and impact of social security changes on poor

- Tax cuts mean everyone will keep more of own earnings and take about 65,000 off income-related benefits altogether - and hence out of poverty/unemployment traps
- assessment of means-tested benefits on net income more rational - eliminates withdrawal rates over 100 per cent
- nearly 90 per cent of claimants gain or are unaffected (in cash terms) by benefit changes. Tax cuts help those on low incomes not entitled to benefits
- spending on social security up 40 per cent in real terms since we took office, and planned to increase further in real terms by 1990-91

- changes particularly help families and disabled. Family credit more generous than family income supplement. Disabled on Income Support gain on average £6.30 in weekly cash benefits.
 - modifications to new housing benefit scheme announced 27 April illustrate flexibility in introduction of new improved scheme
4. Government should have let exchange rate fall; not raised interest rates on 2 and 6 June
- main aim of monetary policy must be to maintain downward pressure on inflation. Interest rate decisions based on continuous and comprehensive assessment of monetary conditions to achieve this aim
 - sterling depreciation against deutschemark in each of last 6 years weakened Government's battle against inflation and possibly led industry to rely on currency depreciation
 - have consistently made clear that will not allow sterling to depreciate to accommodate excessive increases in domestic costs
 - greatest threat to output and employment would be renewed inflation
5. Real interest rates penalising industry
- Industry doing very well: output up, profitability up, investment intentions highest for fifteen years
 - renewed inflation would damage industry's confidence and willingness to invest
 - no evidence that UK interest rates inhibiting growth or investment
 - 1 per cent increase in interest rates, even if sustained for full year, would only cost quarter of amount industry would lose from 1 per cent increase in wage settlements.
6. Exchange rate policy changed?
- No. Policy remains same. As my RHF the Prime Minister made clear on 17 May, aim of monetary policy to maintain downward pressure on inflation
 - I/my RHF has made clear that exchange rate key indicator of monetary conditions and part of total economic policy

- exchange rate stability will bring advantages to economy. Government concerned to have maximum possible exchange rate stability within context of sound anti-inflationary policy.

7. Huge current account deficits in first four months of 1988 following deficit in 1987 show balance of payments crisis imminent

- 1987 deficit small relative to GDP, both historically and by international standards. Current account in cumulative surplus by £21½ billion in 1980-87 inclusive
- even FSBP forecast for 1988 deficit of £4 billion less than 1 per cent of GDP; in mid-1970s, UK deficit reached 3-4 per cent
- deficit reflects strong growth of UK domestic demand and activity in 1987 relative to growth in many export markets
- balance of payments figures very erratic. And 1988Q1 export figures may have been distorted by changes in documentation and classification system - prudent to await further months' data before deciding to what extent pattern of trade distorted
- general strength of economy and high level of overseas assets mean no problems in financing temporary deficit.

8. Manufacturing trade deficit

- Since 1981, UK share of world trade in manufacturing broadly stable after decades of relative decline
- Export volumes up 1½ per cent in three months to April, compared to same period year earlier.

9. Manufacturing output still below June 1979

- Manufacturing output has risen under this Government (in 1988Q1, up 2¼ per cent on 1979H1)
- it fell under Labour
- and on almost all objective indicators, manufacturing performance has been transformed: productivity, profitability exports etc.

10. Manufacturing investment still below 1979

- Manufacturing investment now growing strongly. Up nearly half (46 per cent) since 1983Q1 trough and in year to 1988Q1 up over 7 per cent on year earlier
- DTI investment intentions survey (June) suggested further growth of 16 per cent in 1988. CBI industrial trends enquiries continue to show confidence - April quarterly survey showed balance of firms expecting to authorise increased capital expenditure over next 12 months highest for about 15 years
- not just quantity but quality of investment that is important. Quality improved since 1979 as evidenced by improvement in productivity and profitability.

11. Health Service funding

- Expenditure on health risen from 4.7 per cent of GDP in 1978 to 5.3 per cent in 1986. 1988 PEWP provided for £1.1 billion more for NHS in UK in 1988-89, compared to expected 1987-88 outturn, and have since added further £750 million for extra cost of review body awards
- net expenditure on NHS increased by some 30 per cent in real terms under this Government so far; 1988-89 plans provide for total increase of over 35 per cent since 1978-79
- number of operations and of patients treated expanding, and number of staff providing direct patient care (doctors, nurses etc) has increased both absolutely and as proportion of total
- Government has accepted, and will fully fund, review bodies' pay recommendations. Average nurses' increase will be 15.3 per cent. Combined with radical new clinical grading structure designed to recognise extra qualifications, skills and responsibilities involved in direct patient care.

12. Extra spending versus tax cuts

- Fundamental error to imagine that higher spending/higher PSBR is way to successful economy and more jobs. 1987-88 saw lowest ratio of PSBR, excluding privatisation, to GDP since 1970, but we now have fastest growth since 1973 and record rise in jobs - up over ½ million in 1987 alone, more than any year for over 30 years
- so-called reflation could only result in higher inflation. Fall in inflation was essential pre-condition for steady, sustained growth of last 7 years

- key to successful economy and lasting improvement in unemployment is reform to supply side
- essential that infrastructure schemes should be justified on merits. Otherwise increased spending would just distort economy and risk national recovery with no permanent benefits on rate of unemployment.

13. When will unemployment fall to June 1979 level?

- Latest figures show another significant drop - for twenty-second consecutive month, longest period of falling unemployment since War. Fallen by 535,000 over past year. Now at lowest level for over 6½ years, since September 1981. Falling fast in all regions - biggest falls in last year in West Midlands, followed by North West and North
- predicting trend always difficult, but see no reason why it should not continue downwards
- never attempt to forecast level.

14. Extension of VAT base (especially to books, fuel and power for industry)

- PM gave specific pledges in exceptional circumstances of General Election. These will be honoured
- otherwise, stick to convention that decisions on taxes announced only in Budget
- [on new construction and industrial energy] Advocate General's view in EC infraction case not binding on Court: cannot comment in advance of judgement

15. BP and KIO

- holding has been referred to Monopolies and Mergers Commission by my RH and Noble Friend Secretary of State for Trade and Industry on advice of Office of Fair Trading. Must await their conclusions - asked for within 4 months of referral on 3 May
- Kuwaiti authorities have assured HMG that they have no ambitions to control BP nor any interest in any management role and that KIO holding in company intended as long-term investment. Will not add to existing stake while enquiry in progress.

16. Privatisation of Girobank

- Girobank, now poised for further expansion and development, will carry that out most efficiently and effectively in private sector where will be able to raise capital in ordinary way, be free from political restraints and win customers by offering them improved service
- Post Office will offer Girobank for sale to a financial institution or other suitable company. Suitable bidders will now be given opportunity to tender
- weight will be given to widening choice for general public in banking services. Also important to safeguard links with PO Counters - sale announcement delayed until new five-year rolling contract signed.

Miss J C Simpson
EB Division
Ext 5211



FROM: A A DIGHT

DATE: 16 June 1988

MISS J C SIMPSON

TREASURY FIRST ORDER QUESTIONS: THURSDAY, 16 JUNE EB CENTRAL BRIEF

The Chancellor has seen and was grateful for your minute of 15 June.

A handwritten signature in black ink, appearing to read "A A Dight".

A A DIGHT



FROM: Assistant Parliamentary Clerk

DATE: 17 June 1988

01-270 5007

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Mr Pickford
Mr Dyer

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

You may wish to be aware of the following current forthcoming Treasury business in the Lords:

ORAL QUESTION

Tuesday 28 June Lord Bruce-Gardyne - To ask Her Majesty's Government whether they will make a further statement on the progress of the application by DAIWA and NOMURA to act as gilt-edged market-makers.

Government Spokesman: To be confirmed. FIM (HMT) in the lead.

Wednesday 29 June Building Societies (Limits on Commercial Assets) Order 1988 and Building Societies (Commercial Assets and Services) Order 1988

Government Spokesman: To be confirmed. FIM (HMT) in the lead.

TREASURY INTEREST BUSINESS

Wednesday 29 June Local Government Finance Bill - Report Stage. (The Earl of Caithness)

ORAL QUESTION

Wednesday 6 July Viscount De L'Isle - To ask Her Majesty's Government whether a decision has been reached to arrange on-train clearance only for passengers travelling from the Continent beyond London for immigration and customs services, and whether it is still their intention to erect an airport style clearance building at Waterloo for similar purposes for passengers travelling to London

Government Spokesman: To be agreed. Home Office in the lead.

Cl Wallis

C L WALLIS

UNCLASSIFIED



FROM: ALEX ALLAN

DATE: 17 JUNE 1988

MRS LOMAX

cc Mr Scholar
Mr Culpin
Miss Noble**LARGE MORTGAGES**

You may be interested to see the attached advertisement from the Evening Standard. The Chancellor wonders whether there is strong competition now for such large mortgages - where tax relief is clearly not a major factor. The Chancellor also noted that even the small print made no mention of the income required.

A handwritten signature in black ink, appearing to read "ALEX ALLAN".
A C S ALLAN

36 - TUESDAY, 14 JUNE, 1988

GET A MORTGAGE OVER £60,000 AND
YOUR INTEREST RATE DROPS, NIGEL.




INTEREST RATE

Abbey National has cut the interest rate on all mortgages for house purchase over £60,000 by 0.5%. This brings the gross rate down to 9.25%, making the APR 9.7%* for endowment or pension mortgages, and 9.8% for

repayment mortgages.

Oh, and just in case existing customers with mortgages of this size are feeling left out, we would like you to know that this lower rate will apply to you too from July 1st.

It all adds up to extra cash in your pocket and another good deal from Abbey National.



**AN
ABBAY
NATIONAL
MORTGAGE**
YOUR UNFAIR ADVANTAGE

Full written details are available from: Abbey National Building Society, Mortgage Services Department, 201 Grafton Gate East, Milton Keynes MK9 1AN. Example: A couple (male and female) both non-smokers, aged 30 years, applying to us for an endowment mortgage of £70,000 secured over 25 years enabling them to purchase a property price £100,000. Monthly mortgage payment £481.77 net of tax. Monthly endowment premium £91.40. Total amount payable £212,107.45. *Calculated to include £102 inspection fee, £21 redemption fee and accrued interest of £110.45 assuming completion on 15th June. Buildings insurance will also be required. APR quoted is variable. Rates correct at time of going to press. We require a first mortgage over the property. A mortgage guarantee policy may also be required. Loans not available to persons under 18 years of age. All mortgages are subject to status and valuation. MM9

PNP



FROM: A A DIGHT
DATE: 20 June 1988

MR C L WALLIS

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

The Chancellor has seen and was grateful for your minute of 17 June.

A handwritten signature in black ink, appearing to read "A A Dight".

A A DIGHT

CONFIDENTIAL

MY

FROM: MISS C EVANS
DATE: 22 JUNE 1988

discussed

1. MR ODLING-SMEE
2. CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir Peter Middleton
Sir Geoffrey Littler
Mr Anson
Dame Anne Mueller
Mr H Phillips
Mr Monck
Mr Cropper
Mr Tyrie
Mr Call

1988-89 LEGISLATIVE PROGRAMME: MEETING WITH THE LORD PRESIDENT: 23 JUNE

The Lord President has asked to see you to discuss 'your known concerns about the Legislative Programme'. The Cabinet Office have not been able to tell me what the purpose of the meeting is, but I suspect Mr Wakeham may be concerned about the size of the programme agreed on 10 March, and may wish to discover your present position on the Student Support Bill, which is first reserve for addition to the programme. This note is to remind you of the position reached in March, and subsequent developments. The minutes of Cabinet on 10 March are attached.

(Annex A)

2. I attach a background note on student support. We suggest that you will want to tell Mr Wakeham:

- (a) that Education Ministers may not be able to agree on a scheme;
- (b) the proposal now looks less attractive than it did in March.

(Annex B)

3. I also attach, as background, a list of the Bills in the Legislative Programme as agreed by the Cabinet on 10 March. Since then the following developments make the programme lighter than it then was:

- (a) it has been decided to postpone the Broadcasting Bill until 1989-90 (not yet reported to Cabinet);

CONFIDENTIAL

(b) we hope to introduce the EC Finance Bill in the current session (the Paymaster General is to discuss with the Lord President next week).

4. In addition the Social Security Bill, while still necessary, is likely to be lighter than we thought in March.

5. But there is now the prospect of a need for legislation to enact some of the proposals emerging from the NHS review. Mr Wakeham will not know what these are but he may well be concerned about the possible legislative implications. Deferring the Broadcasting Bill should help to make room for them. *There is also the possibility of a short money bill to wind up the RSG system but you need not mention this.*

6. It seems unlikely that Mr Wakeham will welcome suggestions for other additions to the programme but for reference you may like to be reminded of the other unsuccessful bids which in March we supported strongly. A list and updated line is attached ^(Amex C) - the priorities now are: Public Transport, ECGD and Crown Suppliers.

7. If Mr Wakeham asks you about options for dropping from the programme, the main candidates you identified in March were Scottish Education (provides for reform of teachers' pay and conditions, schools opting-out and commercial activities in FE colleges) and Children and Family Services. We were against proceeding on teachers' pay in Scotland ahead of England and Wales and questioned the relative priority of the other measures. We were then inhibited from opposing this bill because we wanted Mr Rifkind's support on student loans. Cabinet on 10 March concluded that the Children Bill was needed 'for the proper balance of the programme'. Other low priorities for the Treasury are Pesticides, Antarctic Minerals, Brunei, Representation of the People, Police and Conveyancing, but these are relatively minor, making little difference to the management of the programme.

CE

MISS C EVANS

Student Support

In March, QL declined to include a Student Support Bill in the 1988-89 legislative programme, on the ground that the policy had yet to be agreed. Legislation was, however, thought to be necessary in the coming session if the new arrangements were to be introduced by the start of the 1990-91 academic year ie in advance of the next election. Mr Baker understood that a Student Support Bill had first reserve status.

Policy has still not been agreed in Cabinet. Mr Baker's present proposals are more modest than those under discussion in March. A top-up loan of £420 a year would be introduced in 1990 with no immediate reduction in grant or parental contribution. There would be no further increase in the latter until grant and loan each represented 50 per cent of total support. Students eligible for these loans would be removed from the Social Security system. There remains an unresolved question of whether all students (not just those on mandatory or full-value discretionary awards) can be removed from the Social Security system as DHSS Ministers want. Mr Baker appears to have accepted this in principle but there is no agreement yet on how any alternative educationally based discretionary support system for such students could be administered. The total public expenditure and PSBR consequences of the present proposals amount to just over £100m a year during the Survey period. The scheme would break even in PSBR terms in 2001 and in public expenditure terms by 2005.

Treasury Ministers have indicated to Mr Baker that they would not oppose these proposals, although the Chief Secretary has pressed for resolution of the Student Social Security problem before any Cabinet discussion. However, the scheme in its present form is both less attractive financially and in policy terms than the bigger loan scheme under discussion earlier. It is unlikely to change the student support culture quickly. Nor, on current evidence, does it have the wholehearted support of the other Education Ministers. Its main attraction is that it

would provide a toe in the water for the introduction of a loan scheme, in accordance with the Manifesto, and would remove most (perhaps all) students from Social Security benefit.

Line to take

Treasury Ministers continue to support the objectives of the Bill and have indicated support for the Secretary of State's proposals in their present form. However these cannot carry the same priority as those under discussion earlier and their benefits need to be weighed carefully against those of other Bills which are also of interest to the Treasury.

CONFIDENTIAL

1988-89 LEGISLATIVE PROGRAMME AS APPROVED BY CABINET 10 MARCH 1988

	<u>LENGTH</u>	<u>TREASURY LINE</u>
<u>Essential/Contingent</u>		
1. Prevention of Terrorism	Medium	Neutral
2. European Communities (Finance)	Very Short	Support strongly
3. Fiji	Very short	Neutral
<u>Programme with essential elements</u>		
4. Employment	Short	Support: low priority
5. Atomic Energy	Short	Support: high priority
6. Companies	Long	Support: high priority
7. Road Traffic	Short/medium	Support: low priority
<u>Programme Bills : Treasury objective to keep in</u>		
8. Electricity (E, S, W)	Long	Support strongly
9. Continental Shelf	Very short	Support strongly
10. Water	Long	Support strongly
11. Housing and Local Government	Long	Support strongly
12. Housing (Scotland)	Long	Support: high priority
13. Social Security	Substantial	Support strongly
14. Official Secrets	Medium	Support
15. Broadcasting	Long	Support: high priority
16. Transport (Scotland)	Medium	Support: high priority
17. Ports	Substantial	Support: high priority
<u>Programme Bills : Treasury content to drop if feasible</u>		
18. Pesticides	Very short	Support: low priority
19. Antarctic Minerals	Short	Neutral
20. Brunei	Very short	Neutral
21. Children & Family Services	Medium	Neutral
22. Representation of the People	Short	Neutral
23. Fair Employment (NI)	Substantial	Neutral
24. Education (Scotland)	Substantial	Oppose
<u>Uncontroversial</u>		
25. Police	Very short	Neutral
26. Conveyancing Procedures	Short	Neutral
27. National Maritime Museum	Very short	Neutral
28. Share Dematerialisation (Taurus)	Short	Support strongly
29. Elections NI	Very short	Neutral

UPDATE ON TREASURY PRIORITIES FOR ADDITION TO THE LEGISLATIVE PROGRAMMECrown Agents Privatisation

Chancellor and Foreign Secretary have agreed now no practicable option to keeping in public sector for foreseeable future.

Teachers' Pay (England and Wales)

Interim arrangements working satisfactorily. Not a priority for legislation in 1988-89.

Public Transport

Privatisation and deregulation of London buses, reform of basis of Exchequer support for BR pension fund, savings of £50 million a year. Remains a priority for addition. Relatively urgent.

ECGD

Legislation essential if ECGD to finance FREF liabilities. Savings of £10 million a year. Remains a priority for addition.

Crown Suppliers Privatisation

Early sale needed to keep up momentum. Remains a priority for addition.

CONFIDENTIAL



FROM: B O DYER
DATE: 22 June 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr J Gieve
Mr P Cropper
Mrs J Thorpe

CABINET : THURSDAY 23 JUNE 1988
PARLIAMENTARY AFFAIRS

Following is the business, currently, proposed for the Commons next week:

Monday 27 June

2.30pm: Welsh Questions
3.30pm: **Housing Bill**: completion of remaining stages
(preceded by a Guillotine Motion, if necessary)

Tuesday 28 June (Fin. Bill St. Cttee 12th day - 4.30pm)

2.30pm: Defence Questions
3.15pm: PMs Questions
3.30pm: Ten Minute Rule Bill (Amendment of Police Act 1964
- Mr Campbell-Savours)
3.40pm: **Criminal Justice Bill**: completion of remaining stages
10.00pm: Approval of 5 Environmental Assessment Orders

Wednesday 29 June (Fin. Bill St. Cttee 13th day - 4.30pm)

2.30pm: Scottish Questions
3.30pm: Ten Minute Rule Bill (Forfeiture of Child Benefit -
Mr B Field)
3.40pm: **Northern Ireland Interim Period Renewal Order**

Thursday 30 June (Fin. Bill St. Cttee 14th (last) day - 4.30pm)

2.30pm: Northern Ireland Questions
3.15pm: PMs Questions
3.30pm: Business Statement
3.50pm: **Foreign Affairs Debate**

Friday 1 July

9.30am: **Debate on Fair Employment in Northern Ireland** on a
Motion for the Adjournment

A handwritten signature in black ink, appearing to read 'B. O. Dyer'.

B O DYER
Parliamentary Clerk

By 24/6

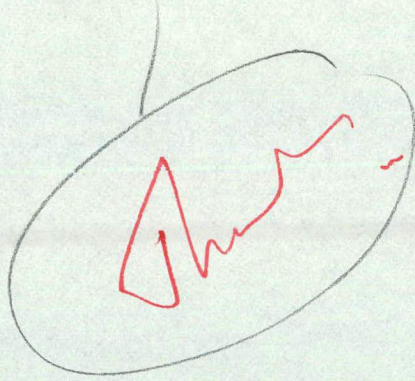
Please minute

FROM: M M COURTNEY

DATE: 23 June 1988

CHANCELLOR

- cc Mr Scholar
- Mr Culpin
- Mrs Lomax
- Mr Peretz
- Mr Ilett
- Miss Noble
- Mr Dickson
- Dr Kosmin



LARGE MORTGAGES

Mr Allan's minute of 17 June asked about competition for large mortgages, in the light of the Abbey-National's new scheme (advertisement attached).

2. There is strong competition for large mortgages. These are generally more profitable for lenders, since the administrative cost is low relative to the amounts lent. There are also probably greater opportunities to cross-sell other products to large borrowers - for example, personal pensions and holiday insurance. Large mortgages have been targeted particularly by the newer entrants to the mortgage market, such as the mortgage corporations and the Amercian banks. The larger building societies have recently started to meet this competition by offering special schemes for large mortgages - a list of some of these is attached. Points to note are:

- i. The normal income multiples apply,
- ii. Most schemes are available only to new borrowers and preferential interest rates apply for the first few years of a mortgage only,
- iii. Most lenders reduce the maximum percentage advance for large loans, even where they are not offering a special scheme. Many of the special schemes for large mortgages have a still lower maximum percentage advance.
- iv. Many of the special schemes apply to endowment and pension mortgages only, on which the lender will earn commission. (A few lenders offer lower rates for endowment than for repayment mortgages even on ordinary loans).

The recent Abbey National scheme does represent an intensification of the competition for large mortgages, since it is offered for an indefinite period to existing as well as new borrowers, has Abbey National's normal maximum percentage advance for loans of this size and applies to repayment as well as endowment mortgages.

4. There are some data available on the size of mortgages granted by building societies and by the Scottish and clearing banks, but no data available on the size of mortgages granted by the new mortgage lenders. Table 1 below shows the proportion of mortgages over £50,000 granted by the building societies and by the Scottish and clearing banks. There has been a rapid increase in this proportion. However, most of this increase is due to the rise in house prices - a house which could have been bought for £50,000 in 1987 would have cost about £32,000 in 1983, and so it is mortgages larger than this latter figure which are the comparable large mortgages in 1983. Table 2, therefore, makes an approximate adjustment for this effect - the adjustment can only be approximate because the distribution of mortgages is recorded in quite wide size bands.

PROPORTION OF LARGE MORTGAGES (%)

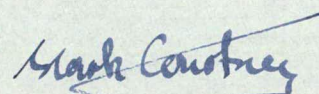
	Table 1 Mortgages over £50,000		Table 2 Mortgages greater than 1.2 times the current average house price (estimated)	
	Building Societies	CLSB Banks	Building Societies	CLSB Banks
1983	½	5	5	24
1984	1	11	5	35
1985	1	12	6	33
1986	4	14	7	24
1987 Q1	6)	7)
Q2	7)	7)
Q3	8) 21	8) 21
Q4	10)	9)
1988 Q1	13		12	

5. Adjusted in this way, the proportion of large mortgages granted by the CLSB banks has if anything declined. For building societies there has been an increase, particularly over the last year, although their proportion of such loans is still less than the banks' and, almost certainly less than that of the new mortgage lenders. (Of course, the proportion of mortgage funds going out in large mortgages will be higher than the proportionate number of such mortgages, but data on this basis is unavailable for building societies).

6. Large mortgages are not the only sub-sector of the mortgage where there is specially intense competition.

i. A number of lenders have special schemes for professionals, those on high salaries or where a steep salary progression is expected - these schemes typically offer loans with higher income multiples. For example, the National Australia Bank, whose minimum loan is £40,000, normally lends on income multiples of 3.0 times the first income plus 1.0 times the second, but extends this to 3.5 + 1.0 for self-employed professionals.

ii. Many lenders have special schemes for first-time buyers, where the prospect of repeat business and the ability to cross-sell other products are particularly high. There are many variants, but typically they offer lower interest rates for an initial period, often only for endowment mortgages. Other variations include "low start" mortgages which offer lower repayments for an initial period. This can be achieved by having interest-only loans for the first few years; or by using the deposit to reduce monthly payments during the first few years; or by capitalising some of the interest in the first few years, with a low initial payment rate being balanced by a higher payment rate in later years.



M M COURTNEY

SOME BUILDING SOCIETY SPECIAL SCHEMES FOR LARGE MORTGAGES

Society	Minimum Loan	Loan Type (E,P,R)	Maximum percentage advance	Discount on the Society's normal mortgage rate	Term of Discount
Abbey National	£60,000	E,P,R	90-95%*	-0.5%	indefinite
Britannia	£60,000	E,P,R	80-95%*	-0.3%	2 years
Greenwich	£70,000	E,P,R	75%	-0.3%	3 years
Halifax	£60,000	E,P	75%	-0.3%	3 years
Leeds Permanent	£50,000	E	80%	-0.4%	3 years
Woolwich	£60,000	E,P	75%	-0.25%	5 years
Yorkshire	£50,000	E,P,R	85-95%*	-0.3%	12 months

E = endowment, P = pension, R = repayment

* the society's normal maximum percentage advance ratio

Notes:

1. Many of the smaller societies still charge higher interest rates for large mortgages.

2. A number of insurance companies, mortgage corporations and banks (none of the clearers) also have preferential rates for larger mortgages, although this is sometime obscured by the high minimum for any loan. Banks with a particularly clear gradation of rates are the Co-operative Bank, Girobank and Hill Samuel.

GET A MORTGAGE OVER £60,000 AND
YOUR INTEREST RATE DROPS, NIGEL.


INTEREST RATE

Abbey National has cut the interest rate on all mortgages for house purchase over £60,000 by 0.5%. This brings the gross rate down to 9.25%, making the APR 9.7%* for endowment or pension mortgages, and 9.8% for

repayment mortgages.

Oh, and just in case existing customers with mortgages of this size are feeling left out, we would like you to know that this lower rate will apply to you too from July 1st.

It all adds up to extra cash in your pocket and another good deal from Abbey National.

 **AN
ABBEE
NATIONAL
MORTGAGE**
YOUR UNFAIR ADVANTAGE

Full written details are available from: Abbey National Building Society, Mortgage Services Department, 201 Grafton Gate East, Milton Keynes MK9 1AN. Example: A couple (male and female) both non-smokers, aged 30 years, applying to us for an endowment mortgage of £70,000 secured over 25 years enabling them to purchase a property price £100,000. Monthly mortgage payment £481.77 net of tax. Monthly endowment premium £91.40. Total amount payable £232,107.45. *Calculated to include £102 inspection fee, £21 redemption fee and accrued interest of £110.45 assuming completion on 15th June. Buildings insurance will also be required. APR quoted is variable. Rates correct at time of going to press. We require a first mortgage over the property. A mortgage guarantor policy may also be required. Loans not available to persons under 18 years of age. All mortgages are subject to status and valuation. MM9



FROM: Assistant Parliamentary Clerk
DATE: 24 June 1988

01-270 5007

PS/CHANCELLOR ←

cc PS/Chief Secretary
 PS/Financial Secretary
 PS/Paymaster General
 PS/Economic Secretary
 PS/Customs
 Mr Ilett
 Miss Noble
 Mr Hibberd
 Mr Pickford
 Mr Dyer

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

You may wish to be aware of the following current forthcoming Treasury business in the Lords:

ORAL QUESTION

Tuesday 28 June Lord Bruce-Gardyne - To ask Her Majesty's Government whether they will make a further statement on the progress of the application by DAIWA and NOMURA to act as gilt-edged market-makers.

Government Spokesman: Lord Beaverbrook. FIM (HMT) in the lead.

Wednesday 29 June Building Societies (Limits on Commercial Assets) Order 1988 and Building Societies (Commercial Assets and Services) Order 1988

Government Spokesman: Lord Beaverbrook. FIM (HMT) in the lead.

Monday 4 July The Lady Saltoun of Abernethy - To ask Her Majesty's Government whether they will exempt from VAT personal alarms and personal alarm systems for the elderly or disabled.

Government Spokesman: Lord Brabazon. Customs in the lead

TREASURY INTEREST BUSINESS

ORAL QUESTION

Wednesday 6 July Viscount De L'Isle - To ask Her Majesty's Government whether a decision has been reached to arrange on-train clearance only for passengers travelling from the Continent beyond London for immigration and customs services, and whether it is still their intention to erect an airport style clearance building at Waterloo for similar purposes for passengers travelling to London

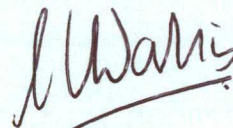
Government Spokesman: Lord Brabazon. Transport in the lead.

Monday 18 July **The Lord Rodney** - To ask Her Majesty's Government what is the latest information available concerning the level of investment planned by British industry for 1988-89.

Government Spokesman: Lord Brabazon. DTI in the lead.

Tuesday 19 July **The Lord Rodney** - To ask Her Majesty's Government what are the latest figures on the profitability of British industry, and how they compare with those of the previous year.

Government Spokesman: Lord Young. DTI in the lead.



C L WALLIS



FROM: A A DIGHT

DATE: 27 June 1988

MR M M COURTNEY

LARGE MORTGAGES

The Chancellor has seen and was grateful for your minute of 23 June.

A handwritten signature in black ink, appearing to read "A A Dight".

A A DIGHT

ps7/1L

UNCLASSIFIED



FROM: A A DIGHT

DATE: 27 June 1988

MR C L WALLIS

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

The Chancellor has seen and was grateful for your minute of 24 June.

A handwritten signature in black ink, appearing to read "A A Dight".

A A DIGHT

CONFIDENTIAL



FROM: B O DYER
DATE: 29 June 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr J Gieve
Mr P Cropper
Mrs J Thorpe

CABINET : THURSDAY 30 JUNE 1988
PARLIAMENTARY AFFAIRS

Following is the business, currently, proposed for the Commons next week:

Monday 4 July

- 2.30pm: Energy Questions
- 3.20pm: Civil Service Questions (Mr Luce)
- 3.30pm: **Estimates 2nd Allotted Day**
 - 1. Defence (personnel costs)
 - 2. Housing (bed & breakfast accommodation)
 - 3. Environmental Services (gypsy sites)
- 10.00pm: EC does debate on Air Pollution from Large Combustion Plants

Tuesday 5 July

- 2.30pm: Employment Questions
- 3.15pm: PMs Questions
- 3.30pm: Ten Minute Rule Bill (Gazumping - Mr D Martin)
- 3.40pm: + **Opposition 16th Allotted Day** - subject to be announced

Wednesday 6 July

- 2.30pm: Foreign and Commonwealth Questions
- 3.30pm: Ten Minute Rule Bill (Taxi Cabs : Control of Smoking - Mr F Cook)
- 3.40pm: + **Opposition 17th Allotted Day** - subject to be announced

Note: + One day will be allocated to the minor Opposition Parties. We may learn the Opposition subject for debate after Shadow Cabinet this evening. The 'trade imbalance' is a distinct possibility as a subject for one of these days.

Thursday 7 July

2.30pm: MAFF Questions

3.15pm: PMs Questions

3.30pm: Business Statement

3.50pm: **Court of Session Bill** - Second Reading

7.00pm: **Civil Evidence (Scotland Bill)** - Remaining Stages

Friday 8 July

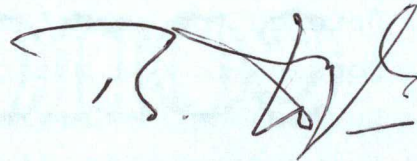
9.30am: **Private Members' Bills**

Malicious Communications Bill: Consideration of Lords
Amdts

Landlord & Tenant Bill: Third Reading

Solicitors (Scotland) Bill: Third Reading

Credit (Control) Bill: Second Reading.



B O DYER
Parliamentary Clerk



FROM: Assistant Parliamentary Clerk

DATE: 1 July 1988

01-270 5007

PS/CHANCELLOR

cc PS/Chief Secretary
 PS/Financial Secretary
 PS/Paymaster General
 PS/Economic Secretary
 PS/Customs
 Mr Pickford
 Mr Dyer

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

You may wish to be aware of the following current forthcoming Treasury business in the Lords:

ORAL QUESTION

Monday 4 July The Lady Saltoun of Abernethy - To ask Her Majesty's Government whether they will exempt from VAT personal alarms and personal alarm systems for the elderly or disabled.

Government Spokesman: Lord Brabazon. Customs in the lead

TREASURY INTEREST BUSINESS

Monday 4 July Local Government Finance Bill - Further consideration on report stage.

ORAL QUESTIONS

Wednesday 6 July Viscount De L'Isle - To ask Her Majesty's Government whether a decision has been reached to arrange on-train clearance only for passengers travelling from the Continent beyond London for immigration and customs services, and whether it is still their intention to erect an airport style clearance building at Waterloo for similar purposes for passengers travelling to London

Government Spokesman: Lord Brabazon. Transport in the lead.

Monday 11 July Lord Jay - To ask Her Majesty's Government what is their estimate of the United Kingdom balance of payments in the latest three - month period for which figures are available.

Government Spokesman: Lord Beaverbrook. DTI in the lead.

Wednesday 13 July Lord Bruce-Gardyne - To ask Her Majesty's Government what further progress has been made into the request from British Aerospace for additional financial support from the taxpayers towards the cost of its participation in the Airbus Consortium

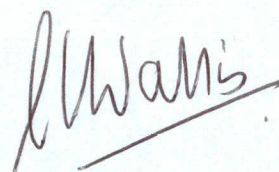
Government Spokesman: Lord Young. DTI in the lead.

Monday 18 July The Lord Rodney - To ask Her Majesty's Government what is the latest information available concerning the level of investment planned by British industry for 1988-89.

Government Spokesman: Lord Brabazon. DTI in the lead.

Tuesday 19 July The Lord Rodney - To ask Her Majesty's Government what are the latest figures on the profitability of British industry, and how they compare with those of the previous year.

Government Spokesman: Lord Young. DTI in the lead.

A handwritten signature in dark ink, appearing to read 'C L Wallis', with a horizontal line drawn underneath the name.

C L WALLIS



CH/EXCHEQUER	
REC.	5 JUL 1988 ✓
ACTION	CST
COPIES TO	

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

4 July 1988

Dear Norma

RESTRICTIONS ON EMPLOYMENT OF YOUNG PEOPLE AND THE REMOVAL OF SEX DISCRIMINATION IN LEGISLATION

You wrote to Douglas Hurd on 29 March seeking colleagues' agreement to your proposals to ease restrictions on the employment of young people and to remove certain sex discriminatory measures in employment legislation.

Geoffrey Howe, Douglas Hurd, Tom King, Kenneth Baker, Malcolm Rifkind, John Moore and Cecil Parkinson wrote indicating that they were content with your proposals. Kenneth Clarke and John Major were broadly content but both expressed reservations about the proposal to extend to all work areas the ban which currently prohibits women from returning to work in factories within four weeks of child birth. You and Kenneth agreed in subsequent correspondence that we should simply retain the status quo and I understand that John was also content to accept that compromise.

No other colleague has commented and you may take it that, subject to letting stand the current rule preventing women from returning to work in factories within four weeks of child birth, you have H Committee's agreement to the proposals for legislation set out in the attachment to your letter of 29 March.

I am copying this letter to the Prime Minister, members of H, other Cabinet colleagues and Sir Robin Butler.

JOHN WAKEHAM

The Rt Hon Norman Fowler MP
Secretary of State for Employment

CONFIDENTIAL



FROM: B O DYER
DATE: 6 July 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr J Gieve
Mr P Cropper
Mrs J Thorpe

CABINET : THURSDAY 7 JULY 1988
PARLIAMENTARY AFFAIRS

Following is the business, currently, proposed for the Commons next week:

Monday 11 July

- 2.30pm: Transport Questions
3.30pm: **European Communities (Finance) Bill: Second Reading**
(Foreign Secretary and PMG)
10.00pm: **Associated Money Resolution - PMG**

Tuesday 12 July

- 2.30pm: Social Services Questions
3.15pm: PMs Questions
3.30pm: Ten Minute Rule Bill (Smoke Nuisance - Mrs Shepherd)
3.40pm: **Opposition 18th Allotted Day** - subject to be announced

Wednesday 13 July

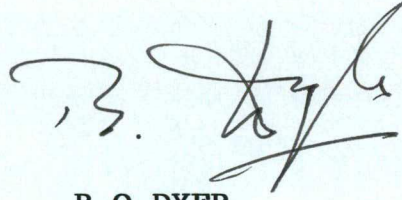
- 2.30pm: Trade and Industry Questions
3.30pm: Ten Minute Rule Bill (Right to Nursery Places - Mr Vaz)
3.40pm: **Finance Bill: Ways and Means Resolution (Sch 9 - Conversion of Building Societies)• EST**
Finance Bill: Report Stage - CST and Treasury team

Thursday 14 July

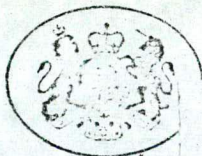
- 2.30pm: **Treasury Questions - C/Ex, CST, PMG, EST**
3.15pm: PMs Questions
3.30pm: Business Statement
3.50pm: **Finance Bill: completion of Report Stage - CST and Treasury team**
Finance Bill: Third Reading - CST and FST

Friday 15 July

9.30am: Debate on Hong Kong arising on a motion for the
Adjournment



B O DYER
Parliamentary Clerk



CH/EXCHEQUER	
DATE	- 8 JUL 1988
TO	FST

817

7 July 1988

L.T.M.

TEN MINUTE RULE BILL : STANDARD FORM OF LEASE

Hugo Summerson has given notice that he intends to introduce a Private Member's Bill about a standard form of lease for residential property under Standing Order No 19 on Tuesday 19 July. His motion reads "That leave be given to bring in a Bill to introduce a standard form of lease for residential property".

The question of providing in legislation for standard leases or model clauses for residential leases has been considered on a number of occasions, most recently by the Nugee Committee on the management of blocks of flats. The Committee concluded that such an approach would not be a practical solution because of the wide ranging circumstances that can apply. It suggested that the matter would be better left to the relevant professional institutions to follow up rather than be the subject of legislation. We agreed with this view.

There are provisions in the Landlord and Tenant Act 1987 to deal with the situation where the leases in a block of flats are defective. Either the landlord or tenant may apply to the county court for a variation order in such circumstances.

I see no need for this Bill and I suggest that the motion to introduce the Bill should not be opposed and that if there is a division the Government should abstain. But arrangements should be made to ensure that the Bill makes no further progress.

I am copying this letter to the other members of Legislation Committee and to Sir Robin Butler and First Parliamentary Counsel.

WILLIAM WALDEGRAVE

The Rt Hon John Wakeham MP



be in Standing Committee or on the floor of the House. I recommend that it should be held in Standing Committee before the recess.

The motion I propose for debate is:

"AIR POLLUTION FROM MOTOR VEHICLES

that this Committee takes note of European Community document 4637/88 on air pollution by the gases from the engines of motor vehicles and the Supplementary Explanatory Memorandum submitted by the Department of Transport on 8 July 1988; and supports the agreement reached at the 28/29 June Environment Council in Luxembourg."

Copies of this letter go to all members of L and OD(E) Committees, Nicholas Ridley, and to Sir Robin Butler.

✓
/ms
PAUL CHANNON
Paul

Tony D
Thank
M
✓



FROM: Assistant Parliamentary Clerk
DATE: 8 July 1988

01-270 5007

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary

Mr Pickford
Mr Dyer

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

You may wish to be aware of the following current forthcoming Treasury business in the Lords:

ORAL QUESTION

Thursday 21 July Lord Sefton of Garston - To ask Her Majesty's Government whether they intend to move some of their administrative headquarters out of the South East and if so how many, and if not, for what reason.

Government Spokesman: To be agreed. RCl (HMT) in the lead.

Wednesday 27 July

Finance Bill (All stages)

Government Spokesman: To be agreed.

TREASURY INTEREST BUSINESS

Wednesday 13 July Local Government Finance Bill - Third Reading. Earl of Caithness

ORAL QUESTIONS

Monday 11 July Lord Jay - To ask Her Majesty's Government what is their estimate of the United Kingdom balance of payments in the latest three - month period for which figures are available.

Government Spokesman: Lord Beaverbrook. DTI in the lead.

Wednesday 13 July Lord Bruce-Gardyne - To ask Her Majesty's Government what further progress has been made into the request from British Aerospace for additional financial support from the taxpayers towards the cost of its participation in the Airbus Consortium

Government Spokesman: Lord Young. DTI in the lead.

Monday 18 July The Lord Rodney - To ask Her Majesty's Government what is the latest information available concerning the level of investment planned by British industry for 1988-89.

Government Spokesman: Lord Brabazon. DTI in the lead.

Tuesday 19 July The Lord Rodney - To ask Her Majesty's Government what are the latest figures on the profitability of British industry, and how they compare with those of the previous year.

Government Spokesman: Lord Young. DTI in the lead.

Wednesday 20 July Lord Sefton of Garston - To ask Her Majesty's Government whether they propose to resite the Headquarters of the Department of Education and Science; and, if so, what sites are under consideration.

Government Spokesman: to be agreed. Department of Education and Science in the lead.

C L Wallis
C L WALLIS



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Minister for Health

CHIEF SECRETARY	
REC.	- 8 JUL 1988
ACTION	<i>Mr Saunders</i>
COPIES TO	<i>CX Mr Anson</i>
	<i>Mrs Phillips</i>
	<i>Mrs Peirson</i>
	<i>Mr Griffiths</i>

CONFIDENTIAL

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

McCall

08 JUL 1988

HEALTH AND MEDICINES BILL - LORDS STAGES

With the Lords Committee Stage of the Health and Medicines Bill coming up shortly (probably starting on 14 July), I am writing to follow up our discussions at Commons Report about ways of smoothing the passage of the Bill for its remaining stages.

I met John Belstead recently to discuss handling in the Lords. We are both clear that the Bill will continue to get a rough ride, with fire from all sides of the House concentrating on the dental examination charge and the sight tests proposals. At Lords Second Reading, there was very much a rerun of the Commons Report debate in which these two provisions were strongly attacked by virtually all who spoke - not least from the Government benches. Our view is that feeling on the dental examination charge is less strong than on sight tests and we are hopeful that, with a presentational amendment we can accept on the Community Dental Service, we will be able to hold the line on dental charges. On sight tests we remain very concerned, and John is anxious that we should be able to offer some concessions to head off the possibility of more costly amendments being forced on us (eg free sight tests for all pensioners - strongly pressed by the Royal National Institute for the Blind - at a cost of £20+million).

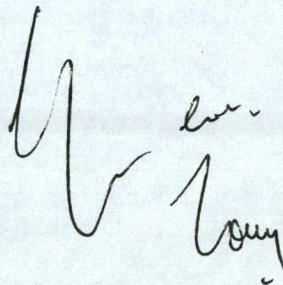
As you know, I believe the most effective way of heading off the deterrence argument is to offer a more generous scheme for help with charges for those just above the automatic qualifying levels. Although the proposals for the

E.R.

modest scheme announced at Report was a step in the right direction, its public relations value is limited because of the very small numbers involved. However, I understand your reluctance to offer any scheme which might be argued to extend the definition of low income (although I do not wholly accept the force of your reservations about the particular scheme we have proposed). As a result, I am not pressing now for the more generous scheme (ie that any individual whose excess income over a three week period is less than the maximum NHS voucher value plus the optician's fee for a NHS sight test should, if he chooses to apply for an income assessment, be entitled to a free sight test). Indeed, we will be putting down an amendment to implement the more modest scheme which will involve a voucher system for sight tests. However, I believe that we should be ready with a scheme of this kind in case opposition to the sight test proposals in Committee or Report turns out to be so strong that we might otherwise lose the clause or be forced to accept wide and costly exemptions. I should be grateful for your agreement that we can offer such a scheme should John Belstead advise it is necessary to avoid major amendment or loss of the clause.

The Lords Second Reading debate also focussed again on glaucoma. You will recall that at Report we conceded that glaucoma sufferers referred for a sight test by their doctor should be entitled to a free test. It seems likely that the RNIB will inspire an amendment to offer free tests for relatives of glaucoma sufferers. We estimate that the uptake and hence the cost of a concession to this group would be quite small if well targeted. A scheme offering free tests to middle aged near relatives (ie children or siblings) would cost about £0.5m. It would help mitigate the criticism of the clause - and perhaps avoid the need for more major concessions. I should be grateful for your agreement that the Government accept an appropriate amendment.

I am sending a copy of this to John Belstead.

A handwritten signature in black ink, appearing to read 'Tony Newton', with a stylized flourish above the name.

TONY NEWTON

KW/DNo.6

CONFIDENTIAL



Treasury Chambers, Parliament Street

The Rt Hon Nicholas Ridley AMICE MP
 Secretary of State for the Environment
 Department of the Environment
 2 Marsham Street
 London
 SW1P 3EB

CC:
 PS/Chancellor
 Sir Peter Middleton
 Mr Anson
 Mr Phillips
 Mr Edwards
 Miss Peirson
 Mr Turnbull
 Mr MacAuslan
 Mr Potter
 Mr McIntyre
 Mr Wood
 Ms G Haskins
 Mr Betenson
 Mr Fellgett
 Mr Watts
 Mr Call

8th July 1988

Nick

PESC 1988: LOCAL AUTHORITY RENTS

In your Survey bidding letter of 25 May, you proposed a guideline real rent increase of 5 per cent for local authorities in subsidy.

I agree that there would be considerable policy benefits in such an increase. I am therefore content to make this assumption, which has implications for some details of the RSG settlement which you announced in broad terms yesterday. Public expenditure provision for gross Rate Fund Contributions to Housing Revenue Accounts in 1989-90 will therefore be £428 million, and net contributions will be assumed to be £211 million in the settlement. These figures have been discussed by officials. I suggest my officials settle the Welsh equivalents with Peter Walker's

I am copying this letter to John Moore, Cecil Parkinson, Peter Walker and Sir Robin Butler.

Yours Faithfully,
John
 JOHN MAJOR



CH/EXCHEQUER	
REC.	13 JUN 1988
ACTION	CST
COPIES TO	

13/6

DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref:
Your ref:

mp

10 June 1988

Dear John,

The Commons Select Committee on European legislation recommend in their Twenty First report that EC proposals for ratifying and implementing within the Community the Montreal Protocol on Substances that Deplete the Ozone Layer be further considered by the House, together with an earlier proposal on Community signature of the Protocol. We agree with this recommendation and are content that the debate should be taken on the Floor of the House rather than in Standing Committee. I should be grateful if you would make the necessary arrangements for the debate.

The proposals for ratifying and implementing the Protocol will be considered by the Environment Council on 16 June. As the debate will not take place before then it will be necessary for the UK to place a Parliamentary reserve if a common position is reached. This would be necessary in any event as the scrutiny procedures in the Lords have not yet been completed. I am writing to the Chairmen of both Commons and Lords Scrutiny Committees to explain the position. I am, however, anxious that the debate should take place as soon as possible after the Council and certainly before the Summer Recess.

A draft motion for debate is attached. The Clerk of the Commons Scrutiny Committee has confirmed that the description of the Community documents is correct.

The UK has strongly supported the Commission's basic approach to implementation of the Protocol by way of a Regulation. We are keen that this should be in place as soon as possible, together with the related Decision on ratification. The Protocol is due to enter into force on 1 January 1989. We would not expect the debate to be particularly contentious, though some MPs may criticise the Protocol measures, reflected in the Commission's proposals, as inadequate in view of more recent scientific evidence of damage to the ozone layer, a point which is also



likely to be made in the report of the House of Commons Environment Committee's inquiry into air pollution, expected shortly.

I am copying this letter to members of L and OD(E), to Malcolm Caithness and to Sir Robin Butler.

Yours ever,

Colin

COLIN MOYNIHAN

DRAFT MOTION:

CONTROL OF CHLOROFLUOROCARBONS AND THE OZONE LAYER

"That this House takes note of European Community Documents Nos 8335/87 and 4997/88 + COR1 on control of chlorofluorocarbons and the ozone layer; supports the implementation of the Montreal Protocol through Community-wide action; endorses the control of consumption of ozone-depleting substances through control of their overall supply; and encourages continuing action on a voluntary basis to reduce demand for these substances by all sectors of industry as far as practicable."



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

H/EXCHEQUER	
REC.	12 JUL 1988
ACTION	CST
COPIES TO	

12/7

11 July 1988

MP

Dear Sir

SCRUTINY DEBATE ON EC PROPOSAL ON CONTROL OF CHLOROFLUOROCARBONS AND THE OZONE LAYER

Thank you for your letter of 10 June about the need for a debate on the EC proposal on control of chlorofluorocarbons and the ozone layer.

As you know, the Whips have arranged for a debate to take place on the Floor of the House on Tuesday 12 July, after 10 pm.

I am copying this letter to the members of L and OD(E) Committees, Tom King, Malcolm Caithness and Sir Robin Butler.

Yours sincerely
John Wakeham

JOHN WAKEHAM

The Hon Colin Moynihan MP
PUSS/Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB



FROM: A A DIGHT
DATE: 11 July 1988

MR C L WALLIS

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

The Chancellor has seen and was grateful for your minute of 8 July.

A handwritten signature in cursive script, appearing to read "Anthony Dight".

ANTHONY DIGHT



HOUSE OF COMMONS
LONDON SW1A 0AA

✓
Pmp

ALL PARTY PARLIAMENTARY GROUP ON OVERSEAS DEVELOPMENT

Chairman: Lord Oram Deputy Chairman: Jim Lester MP Joint Secretaries: Andrew Smith MP Bowen Wells MP Treasurer: Tom Clarke MP
Honorary Vice-Chairmen: Alan Beith MP Kevin McNamara MP Timothy Raison MP Lord Seebohm

Nigel Lawson MP
House of Commons
LONDON
SW1A 0AA

11 July 1988

Dear Mr Lawson

I am very pleased to send you, as one of the Group's distinguished guests in 1987/88, an account of the Group's activities over the last twelve months. Many thanks for your contribution to the discussions, which was highly appreciated by Members.

Yours sincerely

Adrian P Hewitt
Research Adviser to the Group
and Deputy Director, Overseas Development Institute

Enc



HOUSE OF COMMONS
LONDON SW1A 0AA

ALL PARTY PARLIAMENTARY GROUP ON OVERSEAS DEVELOPMENT

Chairman: Lord Oram Deputy Chairman: Jim Lester MP Joint Secretaries: Andrew Smith MP Bowen Wells MP Treasurer: Tom Clarke MP
Honorary Vice-Chairmen: Alan Beith MP Kevin McNamara MP Timothy Raison MP Lord Seebohm

Activity Report, July 1987 - July 1988

Following the June 1987 elections, the membership of the Group expanded substantially to just under 150 MPs and Peers. Andrew Smith became a joint secretary and Timothy Raison an honorary vice-chairman. Thematically, the Group's work has concentrated on international debt and the role of the Washington-based multilateral financial institutions in development and poverty alleviation. APGOOD keeps a watching brief on UK aid policy.

Debt Report and Follow-up

The Group's report Managing Third World Debt, which was published by ODI as a book in May 1987 had a multiple launch and has in the past year sold about 1200 copies including complimentaries. A well-attended press launch at the House of Commons was addressed by Bowen Wells MP, the Debt Working Party Chairman, and later a public meeting was held in the House of Commons at which Eric Roll (Lord Roll) provided the keynote speech. This was followed by an All-Party Group luncheon in the House of Commons at which the Chancellor of the Exchequer, Nigel Lawson, spoke on his African debt initiative to over thirty Members and other participants. Several of the report's recommendations were reflected in proposals advanced by the Chancellor at the World Bank/IMF Spring 1988 meeting in Washington, and subsequently by the Prime Minister at the Toronto Economic Summit.

Letters to the World Bank President

In 1987, the Group's officers initiated a letter to Mr Barber Conable, president of the World Bank, concerning the poverty focus of World Bank operations. The letter was signed by 275 MPs and a similar letter in the USA with which this was coordinated attracted the signatures of numerous prominent Senators and Congressmen. The World Bank has responded by proposing a Core Poverty Programme (CPP) for approval by its Board of Executive Directors.

In 1988, a more elaborate letter to the World Bank President was initiated in APGOOD, urging action on three issues: the use of social indicators in development; IDA as grants; and protecting and supporting the poor under structural adjustment. When delivered to Mr Conable on 16 June 1988, this letter had attracted the signatures of 370 MPs. A copy was delivered by APGOOD officers to the Chancellor of the Exchequer the same day. A reply from the World Bank President is currently in preparation.

In a parallel exercise, the UK-initiated letter attracted the signatures of Parliamentarians world-wide: 230 US Senators and Congressmen, the leading Bundestag committee chairmen and party spokesmen in Germany (where the autumn 1988 World Bank/IMF meetings will be held), and representatives from the Dutch and Australian parliaments, all of whose letters were delivered on 16 June.

Meetings

The Group also held a number of more conventional meetings while Parliament was in session, which were addressed by a range of distinguished speakers, notably:

- Kenneth Dadzie, Secretary-General of UNCTAD on UNCTAD VII and the **Revitalization of Development, Growth and International Trade** (27 October 1987);
- Volkmar Köhler, the Federal German Minister of State for International Economic Cooperation on **European Development Policy Against the Background of the Debt Crisis** (30 November 1987);
- Barber Conable, President of the World Bank on **Challenges to the World Bank in the 1990s: the struggle for Economic and Social Progress in the Developing World** (26 January 1988);
- Chris Bonté Friedheim, Assistant Director-General of FAO on **Rural Development Problems in Africa: FAO's Future Role** (10 March 1988);
- Edward Heath and IFAD President Idriss Jazairy on **North-South Interdependence and Cooperation** at the Closing Event (28 June 1988) of the Council of Europe Campaign on North-South Interdependence and Solidarity, of which APGOOD Deputy-Chairman, Jim Lester, is UK Chairman; and
- Frank Judd, Director of Oxfam, on **The Third World's War: Penalties for Development** (5 July 1988).

Luncheons

These plenary sessions were supplemented by a number of smaller gatherings where invitations had necessarily to be more restrictive:

- The Presentation of a **Festschrift to Professor Hans Singer** of IDS, Sussex, on 1 December 1987, at which Robert Rhodes James, Sir Bernard Braine and Baroness (Judith) Hart spoke;
- An APGOOD lunch was held for **Mr Conable, the World Bank President**, in the company of ten Members and the UK alternate Executive Director, after his address to the Group on 26 January 1988;
- **Three House of Commons luncheons** sponsored jointly by APGOOD, the UN Parliamentary Group and the Institute of Development Studies, hosted by Bowen Wells and with the following keynote speakers:

Nigel Lawson on his **African Debt Proposals** (22 July 1987),
Sir Douglas Wass on his report to the UN Secretary-General,
Financing Africa's Recovery (3 May 1988), and
Dr Stephany Griffith-Jones on **Lessons from Debt Bargaining**
(16 June 1988).

Preparations are also in hand for a major international conference on 6 December 1988, on the theme 'Growing out of Debt'. Speakers for the autumn session are now being lined up and new topics suitable for treatment by an APGOOD working party are being elaborated.

Adrian P Hewitt
4 July 1988

CONFIDENTIAL

FROM: D P GRIFFITHS

DATE: 11 July 1988

- I agree
RB
11/7
1. MR SAUNDERS
 2. CHIEF SECRETARY

cc Chancellor
Mr Anson
Mr Phillips
Miss Peirson
Mr McIntyre
Mr Call

HEALTH AND MEDICINES BILL: SIGHT TESTSIssue

1. In his letter of 8 July Mr Newton seeks approval to make two concessions on sight tests during the passage of the Health and Medicines Bill through the Lords. The first would involve middle aged near relatives of glaucoma sufferers continuing to receive free sight tests. The second is the proposal you rejected just before the Commons Report Stage of the Bill: anyone eligible for any assistance towards the cost of an optical, prescription (inclusive of the opticians fee for carrying out an NHS sight test) would qualify for a free test. This would be offered only if necessary to stave off worse changes to the Bill.

Recommendation

2. We recommend that you should agree to the first concession but continue to resist the second.

Timing

3. Urgent. The Lords Committee Stage of the Bill is likely to start on 14 July.

DiscussionGlaucoma

4. Mr Newton announced at Commons Report Stage that free tests would continue to be made available for patients with glaucoma

CONFIDENTIAL

who were referred to an optician by their doctors. The RNIB are likely to inspire an amendment extending this to relatives of glaucoma sufferers. There is a strong hereditary element in glaucoma. People over 40 who are children, brothers or sisters of glaucoma sufferers have a significantly increased risk of developing the condition themselves. They should therefore be encouraged to have their eyes examined so that if they are developing glaucoma it can be detected at a stage when it can be effectively treated. Although it can be argued that potential glaucoma sufferers are unlikely to be deterred from seeking sight tests by the imposition of a fee, there is both medical and tactical justification for accepting an appropriate amendment. The estimated cost is small (£0.5 m) and this modest concession will have presentational value when the sight test clause is debated.

Nearly Poor

5. DHSS have been pressing for some time for the 'nearly poor' to be allowed free sight tests. You agreed before Commons Report Stage to a system of partial remission arrangements: those just above Income Support levels and not in receipt of Family Credit would receive a partial rebate of the sight test fee, the assistance depending on the amount by which their income exceeds the IS thresholds. However, DHSS do not believe this is generous enough and hold to their view that anyone up to £36 above the IS threshold should receive a completely free sight test.

6. There is no doubt that the sight test clause will have a rough passage through the Lords and there is a risk that it will be defeated or substantially amended (eg making all pensioners eligible for free sight tests). We share DHSS's concern to avoid this but Mr Newton's proposal - which would certainly be offered if we lifted our objection - is still highly unattractive. It would create an entirely new category of exemption on income grounds encompassing those well above the Income Support threshold or not receiving Family Credit. Having set this new benchmark in one area we could face demands for its extension to others -

CONFIDENTIAL

prescriptions, school meals legal aid - calling into question the official definition of low income. It would thus set a dangerous precedent (and we cannot even be certain that it would buy off the opposition to the sight test clause).

7. We should therefore press DHSS to make the maximum presentational value of the concessions we have agreed can be made in this area but not consent to Mr Newton's scheme for the nearly poor even as a fallback.



D P GRIFFITHS

DRAFT LETTER TO:

The Rt Hon Tony Newton OBE MP
Minister for Health

cc The Rt Hon Lord Belstead
Lord Privy Seal

HEALTH AND MEDICINES BILL - LORDS STAGES

Thank you for your letter of 8 July.

I am prepared to accept an amendment to offer free sight tests to relatives of glaucoma sufferers, provided that this concession is tightly drawn. However, I cannot agree to your scheme for providing free tests to the 'nearly poor' even as a fall back proposal. As you know, I consider that it would result in the creation of an entirely new category of exemption on income grounds encompassing those well above the Income Support threshold or not in receipt of Family Credit. As such it would establish a serious and unwelcome precedent potentially affecting the whole of our benefits and charges policy. The partial remission arrangements which we have agreed should be introduced do in my view adequately address any problems which the ending of free sight test might present for those on modest incomes and we will need to ensure that this is recognised as a measure which will provide real practical help.

CONFIDENTIAL



cc:
 Chancellor
 Mr Anson
 Mr Phillips
 Miss Peirson
 Mr Saunders
 Mr D P Griffiths
 Mr McIntyre
 Mr Call

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Tony Newton OBE MP
 Minister for Health
 Department of Health and Social Security
 Richmond House
 79 Whitehall
 London
 SW1

12th July 1988

Dear Minister,

HEALTH AND MEDICINES BILL - LORDS STAGES

Thank you for your letter of 8 July.

I am prepared to accept an amendment to offer free sight tests to relatives of glaucoma sufferers, provided that this concession is tightly drawn. However, I cannot agree to your scheme for providing free tests to the 'nearly poor' even as a fall back proposal. As you know, I consider that it would result in the creation of an entirely new category of exemption on income grounds encompassing those well above the Income Support threshold or not in receipt of Family Credit. As such it would establish a serious and unwelcome precedent potentially affecting the whole of our benefits and charges policy. The partial remission arrangements which we have agreed should be introduced do in my view adequately address any problems which the ending of free sight test might present for those on modest incomes and we will need to ensure that this is recognised as a measure which will provide real practical help.

I am copying this letter to John Belstead.

Yours sincerely,

for JOHN MAJOR

(Approved by the Chief Secretary
 and signed in his absence)

CONFIDENTIAL

FROM: B O DYER
DATE: 13 July 1988

CHANCELLOR

cc Chief Secretary
 Financial Secretary
 Paymaster General
 Economic Secretary
 Mr J Gieve
 Mr P Cropper
 Mrs J Thorpe

CABINET : THURSDAY 14 JULY 1988
PARLIAMENTARY AFFAIRS

Following is the business, currently, proposed for the Commons next week:

Monday 18 July

- 2.30pm: Welsh Questions
- 3.30pm: **Timetable Motion** for the Education Reform Bill
- 4.30pm: **Education Reform Bill:** Consideration of Lords Amendments

Tuesday 19 July

- 2.30pm: Education and Science Questions
- 3.15pm: PMs Questions
- 3.20pm: Ten Minute Rule Bill (Standard Form of Residential Lease - Mr Summerson)
- 3.40pm: **Education Reform Bill:** Completion of consideration of Lords Amendments

Wednesday 20 July

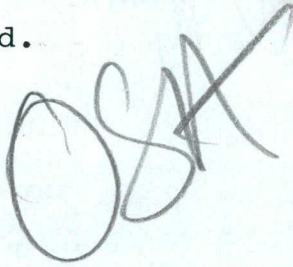
- 2.30pm: Environment Questions
- 3.30pm: Ten Minute Rule Bill (Railway Termini - Mr Knapman)
- 3.40pm: **Local Government Finance Bill:** consideration of Lords Amendments

Thursday 21 July

- 2.30pm: Home Office Questions
- 3.15pm: PMs Questions
- 3.30pm: Business Statement
- 3.50pm: **Estimates 3rd Allotted Day**
 1. Hospital and Community Health
 2. Adult Employment and Youth Training
- 10.00pm: The Question will be put on all the outstanding Estimates and the **FST** will bring in the **Consolidated Fund (Appropriation) Bill** - ie 'Walk the Floor'

Friday 22 July

9.30am: Debate on a motion for the Adjournment - subject to
be decided.

A handwritten signature in dark ink, appearing to be 'OSA' with a large loop at the end.A handwritten signature in dark ink, appearing to be 'B. O. Dyer' with a large flourish at the end.

B O DYER
Parliamentary Clerk

covering
PERSONAL and CONFIDENTIAL
until 11.30am on Thursday, 14 July
then UNCLASSIFIED

pass

FROM : MISS J C SIMPSON
DATE : 13 JULY 1988

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Sir T Burns
Mr Pickford
Mr Gieve
Mr Dyer
Mr Hudson
Mr Patterson
Mr Curwen
Mr Hutson (+ 5 copies)
Mr Cropper
Mr Tyrie
Mr Call

Mr N Forman MP
Mr T Favell MP
Mr M Stern MP

**TREASURY FIRST ORDER QUESTIONS : THURSDAY, 14 JULY
EB CENTRAL BRIEF**

1. I attach EB's central brief.
2. The brief contains:
 - (i) Bull points
 - (ii) Checklist of main indicators published recently
 - (iii) General briefing on topical issues.

Changes from the draft brief have been sidelined.

3. You agreed that you would aim to stop with Mr Hayward's question on growth in manufacturing investment (at present number 13). This, and the questions from Messrs Franks, Hunter, Thurnham and Miss Widdicombe, should be given as wide an airing as

covering
PERSONAL and CONFIDENTIAL
until 11.30am on Thursday, 14 July
then UNCLASSIFIED

possible. Backbenchers should be encouraged to make use of any good news arising from the new labour market figures in their supplementaries. You would also want to make use of a supplementary on the grouped questions from Messrs Knight and Mackay to make a brief statement on the outcome of the public expenditure Cabinet.

4. Subject briefs have been prepared on

- balance of payments (EA2)
- interest and exchange rates (MG1)
- manufacturing and industry (EB)
- international debt (IF1 and AEF2)
- privatisation (PE2)

They have been attached to the relevant questions in the usual way.

5. The figures for production, unemployment, employment and average earnings published on Thursday morning have been taken into account in the attachments to this note. You will also have received separately the usual briefing notes on these statistics.

JS

MISS J C SIMPSON

BULL POINTS

1. Output

GDP up 4 per cent in year to 1988Q1.

UK grown faster than all other major EC countries since 1980. Bottom of this league table in 1960s and 1970s.

Manufacturing output grown since 1979H1; fell between 1974H1 and 1979H1.

DTI Investment Intentions Survey (June) projects 16 per cent rise in manufacturing investment in 1988, and further increase in 1989.

2. Jobs

Adult unemployment (seasonally adjusted) fallen 23 months in a row, by 835,000 in total and now at lowest level since 1981. Fall in unemployment longest and largest since War.

Employment risen by over 600,000 in year to 1987Q1; performance over last five years best since war.

3. Living standards

Real take-home pay of married man with 2 children on male average earnings risen over 27 per cent between 1978-79 and 1988-89; up only $\frac{1}{2}$ per cent between 1973-74 and 1978-79.

Real personal disposable income rose by $5\frac{1}{2}$ per cent in year to 1988Q1.

P S CURWEN
EB Division
Ext 5206

MAIN ECONOMIC INDICATORS PUBLISHED SINCE 16 JUNE AND TO BE
 PUBLISHED BY 14 JULY

- 17 June Index of output of the production industries (Apr)
- 17 June Retail prices index (May)
 - Annual rate 4.2 per cent.
- Tax and prices index (May)
 - Annual rate 2.1 per cent.
- 20 June CBI Monthly Industrial Trends Enquiry (June)
 - Results show continuing strong growth in output and order books, but output expected to grow more slowly in coming months. Balance of respondents expecting to increase prices over next 4 months below balances reported earlier in year and similar to expectations a year ago.
- 21 June GDP (Q1 - prov)
 - GDP(A) grew by about $\frac{3}{4}$ per cent between 1987Q4 and 1988Q1 to a level 4 per cent above 1987Q1.
- 22 Jun Construction - new orders (Apr)
 - In 3 months to April up 23 per cent on a year earlier.
- 27 June Balance of payments current account and overseas trade figures (May)
 - May current account deficit of £1205 million.
 - In 3 months to May export volumes (excl oil and erratics) up 2 per cent on previous 3 months and up $4\frac{1}{2}$ per cent on a year earlier.
 - In 3 months to May import volumes (excl. oil and erratics) up 1 per cent on previous 3 months and up 11 per cent on a year earlier.
- 27 June Personal income and expenditure (Q1)
 - Real personal disposable income rose by nearly $2\frac{1}{2}$ per cent in 1988Q1 to a level $5\frac{1}{2}$ per cent higher than a year earlier.

- 27 June Industrial and commercial companies (Q1)
- Gross trading profits (net of stock appreciation) of non-North Sea industrial and commercial companies rose by 7¼ per cent in 1988Q1 to a level nearly 19 per cent higher than in 1987Q1.
- 29 June Monetary aggregates (May)
- M0 annual growth rate 5.7 per cent.
 - M3 annual growth rate 18.4 per cent.
 - M4 annual growth rate 16.0 per cent.
 - M5 annual growth rate 15.4 per cent.
- 4 July UK official reserves (June)
- Underlying rise of \$84 million.
- 4 June Retail Sales (May-final)
- In 3 months to May up 1¼ per cent on previous 3 months and up 7 per cent on a year earlier.
- 11 July Producer prices (June)
- Annual rate of output prices 4.6 per cent.
 - Annual rate of input prices 5.0 per cent.
- 14 July Index of output of the production industries (May)
- Industrial production in 3 months to May up 1 per cent on previous 3 months and up 3½ per cent on a year earlier.
 - Manufacturing output in 3 months to May up 1½ per cent on previous 3 months and up 6½ per cent on a year earlier.

14 July

Labour market statistics

- Unemployment (sa, excl. school leavers) (June) down 39,000 to 2,375,000. 'Headline' total down 86,000 to 2,341,000.
- Workforce in employment (new series for whole economy employment) up by 120,000 in 1988Q1, to level 611,000 higher than year earlier.
- Manufacturing employees (May) up 2,000 from April to 5,016,000.
- Vacancies (June) little changed from May at 255,000.
- Average earnings (May) underlying increase for whole economy unchanged from revised April figure of 8½ per cent.
- Manufacturing unit wage costs in 3 months to May up 2½ per cent on year earlier.
- Manufacturing productivity in 3 months to May up over 6½ per cent on year earlier.

GENERAL BRIEFING : TOPICAL ISSUES

1. Economy overheating?

- As I/my RHF have made clear, economy has been growing at an unsustainably rapid rate and needs to slow down a bit. But that can be achieved without any drama
- Government determined to take no risks with inflation - evidence of recent interest rate rises.

2. Why raise interest rates so many times since beginning of June

- Interest rates essential instrument of monetary policy. Main aim of monetary policy is to maintain downward pressure on inflation. Interest rate decisions based on continuous and comprehensive assessment of monetary conditions to achieve this aim
- interest rates edging up worldwide. Judged some tightening of conditions in UK also appropriate. UK rates now back to where they were before stock market fall. Reduction in rates then played key role in sustaining confidence at critical time, but right now to increase them again
- present balance of interest and exchange rates much more comfortable than high exchange rate and low interest rates that prevailed in weeks following budget. But have consistently made clear that will not allow sterling to depreciate to accommodate excessive increases in domestic costs.

3. Real interest rates penalising industry

- Industry doing very well: output up, profitability up, investment intentions highest for fifteen years
- renewed inflation would damage industry's confidence and willingness to invest
- no evidence that UK interest rates inhibiting growth or investment
- 1 per cent increase in interest rates, even if sustained for full year, would only cost quarter of amount industry would lose from 1 per cent increase in wage settlements.

4. Exchange rate policy changed?

- No. Policy remains same. Aim of monetary policy to maintain downward pressure on inflation. Government uses available levers, both interest rates and intervention, to affect exchange rates as seems right in circumstances
- I/my RHF has made clear that exchange rate key indicator of monetary conditions and part of total economic policy
- exchange rate stability will bring advantages to economy. Government concerned to have maximum possible exchange rate stability within context of sound anti-inflationary policy. Over medium-term, exchange rate stability reinforces anti-inflationary strategy.

5. Huge current account deficits in first five months of 1988 following deficit in 1987 show balance of payments crisis imminent

- As I/my RHF said on 16 June, accept that 1988 deficit may be larger than forecast at Budget time, but no hint of balance of payments crisis
- 1987 deficit small relative to GDP, both historically and by international standards. Current account in cumulative surplus by £21½ billion in 1980-87 inclusive
- deficit reflects strong growth of UK domestic demand and activity relative to growth in many export markets
- present deficit financing high investment spending by private sector, contrary to period of 1960s and 1970s when current account deficit financed public sector deficit. Private investment adding to productive capacity which will boost exports and displace imports in future
- balance of payments figures very erratic. And uncertainty over distortions to visibles figures, together with erratic nature of quarterly invisible balances make recent trends difficult to discern. Prudent to await further months' data before deciding to what extent pattern of trade distorted
- general strength of economy and high level of overseas assets mean no problems in financing temporary deficit.

6. Manufacturing trade deficit

- Since 1981, UK share of world trade in manufacturing broadly stable after decades of relative decline
- Manufacturing export volumes up 6 per cent in three months to May, compared to same period year earlier.

7. Manufacturing output still below June 1979?

- No. Manufacturing output has risen under this Government (in three months to May, up nearly 4½ per cent on 1979H1: May figure significantly above highest monthly figure in 1979)
- it fell under Labour
- and on almost all objective indicators, manufacturing performance has been transformed: productivity, profitability exports etc.

8. Manufacturing investment still below 1979

- Manufacturing investment now growing strongly. Up nearly half (46 per cent) since 1983Q1 trough and in year to 1988Q1 up over 7 per cent on year earlier
- DTI investment intentions survey (June) suggested further growth of 16 per cent in 1988. CBI industrial trends enquiries continue to show confidence - April quarterly survey showed balance of firms expecting to authorise increased capital expenditure over next 12 months highest for about 15 years
- not just quantity but quality of investment that is important. Quality improved since 1979 as evidenced by improvement in productivity and profitability.

9. Changes in tax have consistently favoured rich

- Real take-home pay of married man with two children on average male earnings rose less than 1 per cent under Labour. Taking account of Budget tax cuts, it is likely to have risen over 27 per cent under this Government
- top 5 per cent of taxpayers pay one-third more in real terms than in 1978-79, while tax burden for other 95 per cent unchanged
- since 1979, main tax allowances increased by 25 per cent more than inflation; as result, nearly 1 and three-quarter million fewer taxpayers compared with indexed 1978-79 regime
- basic rate cuts and indexation of allowances benefit all taxpayers; 1988 cut reduces marginal rate for 94 per cent.

10. Contrast between Budget tax cuts for rich and impact of social security changes on poor

- Tax cuts mean everyone will keep more of own earnings and take about 65,000 off income-related benefits altogether - and hence out of poverty/unemployment traps
- assessment of means-tested benefits on net income more rational - eliminates withdrawal rates over 100 per cent
- nearly 90 per cent of claimants gain or are unaffected (in cash terms) by benefit changes. Tax cuts help those on low incomes not entitled to benefits
- spending on social security up 40 per cent in real terms since we took office, and planned to increase further in real terms by 1990-91
- changes particularly help families and disabled. Family credit more generous than family income supplement. Disabled on Income Support gain on average £6.30 in weekly cash benefits.
- modifications to new housing benefit scheme announced 27 April illustrate flexibility in introduction of new improved scheme

11. Extra spending versus tax cuts

- Fundamental error to imagine that higher spending/higher PSBR is way to successful economy and more jobs. 1987-88 saw lowest ratio of PSBR, excluding privatisation, to GDP since 1970, but we now have fastest growth since 1973 and record rise in jobs - up over ½ million in 1987 alone, more than any year for over 30 years
- key to successful economy and lasting improvement in unemployment is reform to supply side
- essential that infrastructure schemes should be justified on merits. Otherwise increased spending would just distort economy with no permanent benefits on rate of unemployment.

12. When will unemployment fall to June 1979 level?

- Latest figures show another significant drop - for twenty-third consecutive month, longest period of falling unemployment since War. Fallen by 547,000 over past year. Now at lowest level for nearly 7 years, since August 1981. Falling fast in all regions - biggest falls in unemployment rate in last year in West Midlands, followed by North West and North
- see no reason why unemployment should not continue downwards
- never attempt to forecast level.

13. Extension of VAT base (especially to books, fuel and power for industry)

- PM gave specific pledges in exceptional circumstances of General Election. These will be honoured
- otherwise, stick to convention that decisions on taxes announced only in Budget
- on infraction case, UK won on most important point of zero-rating housing. Have taken steps to mitigate effect of taxing non-domestic construction eg for charities. Means forgoing all but £160 million of potential £425 million annual yield.

14. BP and KIO

- holding has been referred to Monopolies and Mergers Commission by my RH and Noble Friend Secretary of State for Trade and Industry on advice of Office of Fair Trading. Must await their conclusions - asked for within 4 months of referral on 3 May
- Kuwaiti authorities have assured HMG that they have no ambitions to control BP nor any interest in any management role and that KIO holding in company intended as long-term investment. Will not add to existing stake while enquiry in progress.
- [on KIO tax position] Cannot comment on tax status of individual, company or other entity. But principle of sovereign immunity longstanding and based on general principles of international law and recognised by successive governments and most other major countries. Has reciprocal benefits for UK.

Miss J C Simpson
EB Division
Ext 5211



CHIEF SECRETARY	
REC.	14 JUL 1988
NOTED	Mr Griffiths
COPIES TO	Mr Anderson, Mr Phillips
	Miss Pearson, Mr McHugh
	Mr Sanders, Mr Call

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

14 July 1988

Dear John,

HEALTH AND MEDICINES BILL: LORDS STAGES

I have seen your exchange of correspondence with Tony Newton and I thought this would be a good opportunity to let you have my views about the prospects for this Bill. At Second Reading in May nobody on our benches spoke in favour of the Bill. And since then the lobbying, particularly by the Opticians, has intensified. It is in these sort of circumstances that we invariably run into serious difficulty in the Lords and I very much believe that this will be the case on this occasion. I am very pleased that you are prepared to agree to free sight tests for relatives of glaucoma sufferers but I have serious doubts whether this, on its own, will buy off more damaging defeats on the provisions introducing charging for sight tests. While I can appreciate your reluctance to concede a scheme exempting the 'nearly poor', I did wonder whether Tony could devise some other concession that you could agree to, which could be offered at a later stage if Roger Skelmersdale comes under very great pressure at Committee Stage.

I am sending a copy of this to Tony Newton.

Yours sincerely
AL

BELSTEAD

The Rt Hon John Major MP

mmp



FROM: Assistant Parliamentary Clerk
DATE: 15 July 1988

01-270 5007



PS/CHANCELLOR

- cc PS/Chief Secretary
- PS/Financial Secretary
- PS/Paymaster General
- PS/Economic Secretary
- PS/Customs
- Mr Pickford
- Mr Dyer

FORTHCOMING TREASURY BUSINESS IN THE HOUSE OF LORDS

You may wish to be aware of the following current forthcoming Treasury business in the Lords:

ORAL QUESTION

Wednesday 20 July Lord Sefton of Garston - To ask Her Majesty's Government whether they intend to move some of their administrative headquarters, and in particular the headquarters of the Department of Education and Science, out of the South East and if so how many and what sites are under consideration, and if not, for what reason.

Government Spokesman: Lord Brabazon. RCl (HMT) in the lead.

Wednesday 27 July

Finance Bill (All stages)

Government Spokesman: Lord Young to open. Lord Brabazon to close.

TREASURY INTEREST BUSINESS

ORAL QUESTIONS

Monday 18 July The Lord Rodney - To ask Her Majesty's Government what is the latest information available concerning the level of investment planned by British industry for 1988-89.

Government Spokesman: Lord Brabazon. DTI in the lead.

Tuesday 19 July The Lord Rodney - To ask Her Majesty's Government what are the latest figures on the profitability of British industry, and how they compare with those of the previous year.

Government Spokesman: Lord Young. DTI in the lead.

Wednesday 20 July The Countess of Mar - To ask Her Majesty's Government to what extent they will fund the recent pay award to nurses.

Government Spokesman: Lord Skelmersdale. DHSS in the lead.

C L Wallis
C L WALLIS

CONFIDENTIAL

FROM: D P GRIFFITHS
DATE: 18 JULY 1988

- Discovered*
1. MR SAUNDERS
 2. CHIEF SECRETARY

cc Chancellor
Mr Anson
Mr Phillips
Miss Peirson
Mr McIntyre
Mr Call

HEALTH AND MEDICINES BILL: SIGHT TESTS

Mr Saunders and I met DHSS officials this morning to talk over the problems they anticipate in the Lords over the sight test charges clause. We were unable to find any compromise solution on the 'nearly poor'. Creation of a new category of exemption from charges on income grounds is unacceptable to us because of the bad precedent it would set. Equally any scheme acceptable to us is regarded by DHSS as insufficiently generous.

2. However, it emerged that there is no pressure as such from the Opposition or Conservative backbenchers for a scheme to give the 'nearly poor' free sight tests. Instead the amendments likely to be pressed are

(i) to make old age pensioners eligible for free NHS sight tests;

and/or

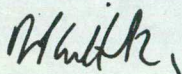
(ii) to provide free NHS tests to everyone referred to an optician by a GP on medical grounds.

3. The first amendment is unattractive both on grounds of cost (estimated at £20m per year) and because it would be a major setback in our efforts to end the automatic exemption for pensioners from NHS charges. The second amendment appears to be less damaging but DHSS believe that in practice it might result in the loss of most of the savings we expect from the ending of universal free sight tests. Their fear is that GPs would refer to

an optician almost anyone who came to their surgeries with any eye-related complaints regardless of whether there were genuine medical grounds for concern. We take a less pessimistic view, believing that it should be possible to build in safeguards to prevent abuse but we agree that this option is still too open ended to be acceptable.

4. However, we did discuss whether a much more limited proposal along these lines could provide a tolerable fallback position if it were absolutely necessary to offer a concession. This would be to provide free sight tests for old age pensioners referred by GPs on medical grounds. This would not breach our general principle that pensioners in general should pay for their sight tests. It would also avoid the problem of a potentially open ended commitment. The medical justification would be that the elderly were the category most likely to develop eye-related problems and hence warranted this special treatment. There is clearly a risk that, having conceded this point, we might be forced into including other groups. But it might be sufficient to hold the line.

5. DHSS officials have gone back to consult Mr Newton and we hope to have a response from them before we meet you at 5pm.



D P GRIFFITHS



C.

PQs FOR 27 OCTOBER

Goodness knows what will be
useful then. How about:

- ① debt
- ② the public finances ^{could be today} to AS. _{in run-up}
- ③ a general economic one?

AMH

cc Mr N. Forman MP



FROM: Assistant Parliamentary Clerk
DATE: 18 July 1988

01-270 5008

PS/CHANCELLOR OF THE EXCHEQUER

PS/CHIEF SECRETARY

PS/FINANCIAL SECRETARY

PS/PAYMASTER GENERAL

PS/ECONOMIC SECRETARY

cc Mr Pickford - EB
Miss Simpson - EB
Mrs J Thorpe

*This means tabling questions
on Tuesday 26 July. Discuss
at Prayers on Wed 20th?*

Yr. AMH

FIRST ORDER QUESTIONS

The Lord President announced in his Business Statement last Thursday that the House of Commons, subject to the progress of business, will rise for the summer recess on 29 July and return on 19 October. Treasury's next First Order Questions will therefore fall on Thursday 27 October. The Ministers participating in October should be the Chancellor, Chief Secretary, Financial Secretary and Paymaster General.

The supporting Ministers' roster for future months is as follows:

27 October	FST	PMG
* 1 December	FST	EST
* January	PMG	EST
* February	FST	PMG
* March	FST	EST
* April	PMG	EST

This may of course have to change to suit the convenience of Ministers or the Questions asked.

Colin Hutson

COLIN HUTSON

* Dates to be confirmed.

01-219 3303

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

TABLING DATES FOR ORAL QUESTIONS

The Summer recess dates announced today have the following effect on the operation of Standing Order No. 17(6) in relation to tabling dates for oral Questions:-

<u>TABLING DATE</u>	<u>FOR ANSWER ON</u>	<u>DEPARTMENT(S)</u>
Monday 18 July	Wednesday 19 October	FCO
Tuesday 19 July	Thursday 20 October	Agriculture/PM
Thursday 21 July	Monday 24 October	Transport/Attorney General/Overseas Development
Friday 22 July	Tuesday 25 October	Employment/PM
Monday 25 July	Wednesday 26 October	Trade & Industry
Tuesday 26 July	Thursday 27 October	Treasury/PM
Thursday 28 July	Monday 31 October	Wales/Church Commissioners/ House of Commons Commission/Lord President
Friday 29 July	Tuesday 1 November	Social Services/PM
Wednesday 19 October	Wednesday 2 November	Environment

(Thereafter the normal fortnightly pattern of tabling oral Questions continues)

PRIORITY WRITTEN QUESTIONS

The latest time for tabling a Question for written priority answer before the House rises for the summer recess is Tuesday 26 July at 10.30 p.m.

D W N DOIG
Deputy Principal Clerk

14 July 1988



CH/EXCHEQUER	
REC.	19 JUL 1988
ACTION	FST
COPIES TO	

Tony D - done
 normally send to
 PRIVY COUNCIL OFFICE
 YES WHITEHALL, LONDON SW1A 2AT
 19 July 1988
 FST?

Dear Private Secretary,

DEBATE ON THE MOTION FOR THE SUMMER ADJOURNMENT

The time of this debate will be announced by the Lord President of the Council and Leader of the House of Commons, the Rt Hon John Wakeham MP, during his Business Statement on Thursday 21 July. I am therefore writing, as usual, to all Private Offices to ask for material that the Leader of the House will need when winding up. I attach a list of those topics on which we would welcome a short background note and the line to take. I would be grateful if these could be as brief as possible (maximum of one side of A4 for the background note and half a side for the line to take).

In an attempt to minimise the amount of effort that this exercise usually represents for Departments, I have kept the list as short as possible. Whilst I welcome any further briefing you may wish to contribute, I would, however, ask you to limit your contributions to those subjects which are most likely to be raised.

I would be grateful if you could also send me the names and telephone numbers of officials who could be contacted should briefing be required in the course of the debate. In view of the shortened list of briefing topics, this list of stand-by briefers will, as you can appreciate, be of considerable importance.

I shall be in contact nearer the time to say exactly when officials should be standing by and also when you should let me have any briefing; as a guideline, the earliest date for which briefing should be available is noon on Friday 22 July.

Many thanks for your help.

Yours sincerely
 Jane F. Sell
 JANE F SELL
 Parliamentary Clerk

All Departments

cc All Parliamentary Clerks

MOTION ON THE SUMMER ADJOURNMENT DEBATE - SUBJECTS

MAFF	Rural Economy; Green Pound; CAP Reform; Set Aside Scheme; Prices for ADAS Advisory Services; Agricultural Research; EC Trade Policy.
Cabinet Office	'Spycatcher'.
MOD	Bullying in the Army; Nuclear Test Veterans; Low Flying Aircraft/RAF Flight Safety; Boeing AWACS Offset Agreement; General Mohnke; Type 23 Frigate Order.
DES	Government Funding of Research; GCSE; Conductive Education.
Employment	Unemployment; Job Training Scheme; Training for Employment; National Dock Labour Scheme; Construction Industry Safety; P&O Dispute.
Energy	Sale of NCB Houses; Pit Closure; Electricity Privatisation; Fast Breeder Reactor Programme; Coal Privatisation; Coal Mining Subsidence.
DOE	Community Charge; National Business Rate; Widdecombe Report; Public Cemeteries; Nature Conservancy; Council Privatisation; NIREX; Consultative Document; Homelessness; Cakebread; Development on the Green Belt/Rural Housing; Football Club Membership Scheme.
FCO	South Africa; Central America; Arab/Israel; Terry Waite and Hostages; Human Rights; Iran/Iraq; UK/USSR Relations; Afghanistan; Single Market; Gibraltar Shooting Inquiry.
DHSS	Abortion; NHS Review; Cervical Cancer Screening; AIDS; Warnock; Child Abuse; Nurses' Pay and Financing of Regional Health Authorities; Meningitis; Housing Benefit Special Unit; Opren; Passive Smoking; Griffiths and Wagner Reports.
HO	Crime Prevention; Race Relations; Lunar House; Future of Broadcasting; War Crimes; Handling of MPs' Correspondence in Immigration Cases; Delays in Processing Passport Applications; Soccer Violence; Terrorism; Rural Unrest.
House of Commons	Procedure Committee Reports; Members' Behaviour.

Law Officers/
Lord Chancellor Family Courts; Reform of the Bar.

NIO Internal Political Development; Anglo-Irish Agreement; Extradition Arrangements; Policing of Funerals.

ODA Aid Programme; Ethiopia.

SO Prisons; Devolution/Mandate; Education-School Closure Regulations; Health Authorities' Budgets; SSEB and Coal; Forestry; Community Charge.

DTI Competition Policy; Inner Cities; Regional Policy; British Space Policy; Launch Aid for Airbus; Government R&D Statistics; EC/US Airbus; Financial Services Act; Monopolies and Mergers Policy; Consumer Debt; Post Office Privatisation; Single European Market Awareness Scheme; Single European Market Policy Aspects; Enterprise Initiative; Rover; Barlow Clowes; Steel Industry; Shipbuilding Industry.

DTp Road Safety; Air Traffic Safety; Safety on the Underground; Settle-Carlisle Railway; Drinking and Driving; Roads Programme; Air Traffic Congestion (Eurocontrol); BR Report on Channel Tunnel Links.

HMT EC Budget; Relocation Policy; Fees and Charges for Public Library Services; Third World Debt; Economic Bull Points and Interest Defensive Briefing on Balance of Payments; Mortgage Tax Relief; EMS and European Central Bank.

WO Welsh Language Legislation; Health Authorities; Programme for the Valleys; Welsh in the National Curriculum; Pit Closures; Cardiff Bay Barrage.

CONFIDENTIAL



FROM: MISS C EVANS
DATE: 19 July 1988

Can I have these
ppp back
pl?

MR D P GRIFFITHS

mp

cc:
Chancellor
Mr Anson
Mr H Phillips
Miss Peirson
Mr McIntyre
Mr Saunders
Mr Call

HEALTH AND MEDICINES BILL: SIGHT TESTS

The Chief Secretary discussed with you your minute of yesterday about possible concessions in the Lords over the sight tests charges clause. He is concerned that the fallback proposal in paragraph 4 - to provide free sight tests for old age pensioners referred by GPs on medical grounds - might amount to the same as giving free tests to all old age pensioners since, in order to get a free test, they would simply go to see their GP. This might make the concession almost as expensive as a general concession for OAPs and incur extra costs by taking up GPs' time.

2 The Chief Secretary concluded that we should not agree to Lord Skelmersdale making any concessions in the Lords' Second Reading but, if absolutely unavoidable, he could say that we would take note of the concerns raised and consider whether it was possible to bring forward an amendment at Report. Mr Newton should then write to him with specific, costed, proposals responding to the points of pressure in the debate.

C Evans

MISS C EVANS

CONFIDENTIAL



FROM: B O DYER
 DATE: 20 July 1988

CHANCELLOR

cc Chief Secretary
 Financial Secretary
 Paymaster General
 Economic Secretary
 Mr J Gieve
 Mr P Cropper
 Mrs J Thorpe

**CABINET : THURSDAY 21 JULY 1988
 PARLIAMENTARY AFFAIRS**

Following is the business, currently, proposed for the Commons next week:

Monday 25 July

- 2.30pm: Energy Questions
- 3.20pm: Civil Service Questions (Mr Luce)
- 3.30pm: **Copyright, Designs and Patents Bill:** Report and Third Reading (incl. additional Money Resolution)

Tuesday 26 July

- 2.30pm: Defence Questions
- 3.15pm: PMs Questions
- 3.30pm: Ten Minute Rule Bill (Petitioners Rights - Mr H Barnes)
- 3.40pm: **Opposition 19th Allotted Day** - subject to be announced [possibly, half day on Rover with the other half on the Economy]

Wednesday 27 July

- 2.30pm: Scottish Questions
- 3.30pm: Ten Minute Rule Bill (Fuel and Energy Provision - Mr J Hughes)
- 3.40pm: Consideration of **a miscellany of outstanding business:** Motions, Orders, Regulations and any Bill from the Lords
- Circa 7pm: **Opposition Prayer** to annul the **Building Societies (Transfer of Business) Regulations (EST)**

Thursday 28 July

2.30pm: Northern Ireland Questions

3.15pm: PMs Questions

3.30pm: Business Statement

3.50pm: **Motion for the Summer Adjournment** (Lord President)

7.00pm: Proceedings on the **Consolidated Fund (Appropriation) Bill**, debates will continue until 8am (the result of the ballot will be available on 26 July)

Friday 29 July

9.30am: **Timed Adjournment Debates**

[The House will rise today and return on Wednesday 19 October].



B O DYER
Parliamentary Clerk

CONFIDENTIAL

This is likely to come up
at Cabinet tomorrow. We
cannot let a man of this

FROM: D P GRIFFITHS

DATE: 20 July 1988

1. MR SAUNDERS magnitude go at this
2. CHIEF SECRETARY Stage of the survey, so
it is welcome that DHSS Ministers cc
are reportedly about. The alternatives
(para?) are unattractive, since they are
even more controversial than
dental/sight test fees.

Chancellor
Sir P Middleton
Mr Anson
Mr Phillips
Miss Peirson
Mr Turnbull
Mr Call

RBS
20/7

HEALTH AND MEDICINES BILL: LORDS

Potential Savings Loss

The introduction of dental examination charges and the withdrawal of universal sight tests are forecast to produce full-year savings of £134m (£110m on an England basis) - £49m from the dental examination charges and £85m from sight tests. DHSS were planning to introduce dental examination charges on 1 January 1989 and £5m savings from this have been scored in this year's baseline.

Nature of the opposition to the clauses

2. The arguments against the proposals were familiar ones: that charges would deter people from visiting the dentist and the optician; and there would thus be a detrimental impact on people's health. Much play was made of the fact that examinations could pick up the presence of diseases such as oral cancer and, in the case of sight tests, glaucoma, diabetes and other medical conditions. As the debate focused on the principle of charging, there was no detailed discussion of the case for widening the exemptions from the charges. A number of peers (including Lord Trafford) spoke in favour of introduction of dental examination charges. Lord Skelmersdale received no support on the sight test clause but, since the Government had already been defeated on dental examinations, this was a much shorter debate and the outcome obvious.

What is left in the Bill

3. The Bill still contains a number of very important provisions from a public expenditure standpoint including:

i) reconstitution of the General Practice Finance Corporation in preparation for its privatisation. £80m receipts from this have already been scored in the baseline for this year but the actual proceeds will probably be significantly higher - up to £135m or perhaps even more;

ii) confirmation and extension of the powers of health authorities to undertake income generation schemes. Without these new powers the ability of authorities to raise the income generation proceeds scored in the base line (£52m in 1989-90, £73m in 1990-91) would be seriously impaired, although it is impossible to quantify the likely shortfall if the Bill were not enacted;

iii) provision for the compulsory retirement of FPS doctors and dentists (at the age of 70) and the abolition of "24 hour retirement" (the device whereby doctors and dentists aged 65 or over can retire, draw their pension and return to practice a day later without abatement of pay or pension). These provisions are estimated to produce savings in the longer term of at least £6-7m per year.

iv) provision for the cash limiting of the funds available for directly reimbursing doctors for costs of improvements to their practice premises and of employing ancillary staff. This will produce long-term benefits though no immediate savings (cash limits are unlikely to be brought into effect until April 1990).

Failure to enact the Bill this Session would therefore be a matter of serious concern.

Resources for primary health care measures

4. The FPS Settlement in last year's Survey made the following resources available for the primary health care reforms:

1988/9	1989/90	1990/91
4	15	79

All this expenditure is to be financed from the savings from sight tests and dental charges (including the £30m increased receipts from the changes in the structure of dental work charges - these did not require primary legislation and were brought into effect on 1 April this year). However, it was also agreed that drugs bill savings of £15m in 1989-90 and £20m in 1990-91 would be necessary to proceed as planned on primary health care. The balance of the savings from sight tests and dental charges would be used to discharge commitments inherited by Mr Moore from his predecessor.

5. The bulk of the Primary Care White Paper expenditure - £51m - will go on changes to the remuneration package for doctors - the introduction of new incentive payments to encourage such activities as vaccination and immunisation, child health and elderly surveillance, minor surgery; plus more funds for the employment of ancillary staff and improving doctors' surgeries. These changes were announced in the Primary Care White Paper and DHSS are now in discussion with the BMA about the revisions to the remuneration package. Smaller sums of money have been earmarked for various measures elsewhere in the FPS such as additional water fluoridation schemes (£2m), a dental health campaign (£2m), increased financial assistance for spectacles for partially-sighted people (£1.5m) and extra funds for FPCs (£9m). Again these were all measures announced in the White Paper.

6. The minutes of the relevant bilateral record that when the FPS bids were settled last year Mr Moore accepted that, if some of the savings did not materialise, expenditure would need to be curtailed.

Next steps

7. We understand that DHSS Ministers will be recommending that the dental examination and sight test clauses should be reinstated in the Commons and we should certainly support this. However, if for whatever reason this is not pursued, we should press Mr Moore to deliver the equivalent savings from other changes. Reducing or even completely withdrawing the additional resources made available for the White Paper measures would not sufficiently compensate us for the lost savings. One candidate might be to remove the exemption for pensioners from prescription charges but giving them a 50% discount. This would not require primary legislation but, in conjunction with a modest 10% annual rise in prescription charges, would produce significant savings estimated at £120/195/275 in the Survey years. Alternatives - eg a £2 charge for visits to GPs surgeries (which would raise £100m a year) would require primary legislation and so could not be scored until 1990-91 at the very earliest; and would be even more controversial than the dental and sight test proposals.

D P Griffiths

D P GRIFFITHS

No
better

CH/EXCHEQUER	
REC.	20 JUL 1988
ACTION	CST
COPIES TO	

20/7

Prime Minister

HEALTH AND MEDICINES BILL - LORDS COMMITTEE

On 10 September 1987 Cabinet agreed that we should impose charges for dental examinations and remove sight testing from the NHS. This was after considering and rejecting alternative ways of raising sums of the kind required. Yesterday the Lords rejected the parts of the legislation giving effect to our proposals. In addition, on a free vote, they accepted an amendment to deregulate the sale of reading glasses. This last action is not unwelcome and can be accepted.

2. I am however in no doubt that we need to have the additional revenue (£134 million (GB) which dental and optical examination charges would provide. This is needed partly to meet an outstanding PES commitment and partly to provide the resources for the investment in primary care announced in our White Paper last November. It will require us either to reverse yesterday's defeat when the Bill returns to the Commons or to raise the money by other means which will be highly unpalatable.

3. I recognise of course seeking to reverse the Lord's decisions is likely to cause problems to the Business Managers in particular because:

- a. We know that our previous comfortable majorities on this issue in the Commons did not reflect the full degree of unease and concern among our back benchers. We have to expect a much greater number of defections on our side following the Lords' vote.
- b. There is the need to fit the necessary Parliamentary processes into the October spill-over period, so as not to jeopardise the obtaining of Royal Assent before the prorogation should the Lords try to insist on their amendments.

4. We will obviously need to take the advice of the Lord President and the Lord Privy Seal on the problems I have described in the previous paragraph and Tony Newton and I will therefore be meeting with them next week.

5. I am copying this minute to members of the Cabinet and to Sir Robin Butler.



JM
20 July 1988

CONFIDENTIAL



sup

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

CH/EXCHEQUER	
REC.	21 JUL 1988
ACTION	CST
COPIES TO	

2/7

20 July 1988

Dear Norman

REDUNDANCY REBATES - EMPLOYMENT BILL 1988/89

Thank you for sending me a copy of your minute of 15 July to the Prime Minister.

I note that you expect that the provisions which would be required to give effect to your proposed changes should be short and uncontroversial. On this understanding, I should be content for the necessary provisions to be accommodated in the Employment Bill for next Session.

I am copying this letter to the Prime Minister, other members of E(A) and Sir Robin Butler.

John Wakeham
John

JOHN WAKEHAM

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

CONFIDENTIAL

dti

the department for Enterprise

mp

The Rt. Hon. Kenneth Clarke QC MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Rt Hon Norman Fowler MP
Secretary of State for Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

CH/EXCQUEUR	
REC.	21 JUL 1988
ACTION	CST
COPIES TO	

Direct line 215 5147
Our ref
Your ref
Date 21 July 1988

Dear Secretary of State,

I have seen a copy of your minute to the Prime Minister about Redundancy Rebates and two minor points in the Employment Bill.

I agree with your proposal to abolish the remaining rebates for small firms on redundancy payments.

As to the first point in your Annex, I should like my officials in the Insolvency Service to have the opportunity to consider the detailed implications. On the second, I am prepared to agree, in principle, subject to the view of my Department's solicitors on how this should be effected in legislation.

In both cases, the interested practitioners' professional bodies would need to be consulted, but I hope that we can leave our officials to resolve any points at issue.

I am copying this to the Prime Minister, E(A) colleagues, the Leader of the House, the Chief Secretary and Sir Robin Butler.

Yours sincerely,

Linda Joyce

PP KENNETH CLARKE

(Approved by the Chancellor
and signed in his absence)

LS8AAM



2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

CH/EXCHEQUER 2/17

REC.	21 JUL 1988
EXTENSION	FST
CLASSIFIED TO	

The Rt Hon John Wakeham MP
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1

21 July 1988

Dear Lord President,

At our meeting on 19 July to discuss next Session's Housing and Local Government Bill, I agreed to go through the proposals for the Bill to check which provisions were absolutely essential. This I have now done.

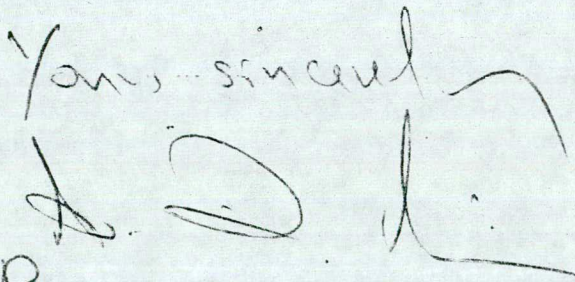
On the Local Government side, we must include provisions to introduce the new system of controls over local authority borrowing and capital expenditure to link in with the rest of the new financial regime; to tighten controls over local authority companies (which are vital to stop loopholes in the new capital system); and to implement the main changes necessary to local authority administration following the Widdicombe report, which our backbenchers have been awaiting for some time now and which need to be in place before the 1990 local elections in London. In addition three other items are essential - amendments to the current Local Government Finance Bill which time did not allow us to make; a power to give grants to local authorities for emergency expenditure; and a power to capitalise specific Exchequer grants to local authorities paid annually on loan charges. I was hoping to include the other issues arising out of Widdicombe but I am prepared to put these aside for the present - although of course there may be pressure from colleagues to include them later. (Kenneth Baker is anxious, as I am, to proceed with measures to publicise auditors' reports and to require certain core standing orders.)

I am also prepared not to proceed with a number of other highly desirable or long overdue local government items. In particular, we had envisaged including an item on local authority fees and charges that has been postponed from this Session's Local Government Finance Bill. This would enable Ministers to extend the use of fees and charges for local authority services by order. 3 clauses on this are already substantially drafted, but I should be prepared to drop this item if that would help.

On housing, the essential items are the provisions reforming local authority housing accounts (which is another part of the new financial regime and on which we shall be going out to consultation next week) and the reform of the system of home improvement grants, which was held over from this Session and is essential if we are to achieve better targeting of resources. We also need to include hopefully brief provisions relating to the transfer of new town houses, abolition of the Homeloan scheme, legislative cover for financial support to the British Board of Agreement and to non profit making bodies in the construction industry, and perhaps one or two items which the scope of this year's Housing Bill prevents us tackling. I am prepared to hold back proposals relating to houses in multiple occupation, other new town provisions, housing defects and a number of other minor items.

Officials here estimate that the effect of this would be to reduce the likely size of the Bill from over 200 clauses to something nearer 120 - although of course until Parliamentary Counsel has had a chance to consider the Instructions this can only be very approximate. As you suggest Michael Ware will be in touch with Counsel shortly to discuss when Instructions on the particular elements are likely to be ready and how best we can now make progress.

I am copying this letter to Nigel Lawson, Kenneth Baker, Malcolm Rifkind and Peter Walker.

Yours sincerely

PP

NICHOLAS RIDLEY

(Approved by the Secretary of State
and signed in his absence)

(p.p.)



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

21 July 1988

CH/EXCHEQUER	
REC.	22 JUL 1988 ✓ 22/7
ACTION	FST
COPIES TO	

Dear Private Secretary

DEBATE ON THE MOTION FOR THE SUMMER ADJOURNMENT

As promised in my letter of 19 July 1988, I am writing to confirm that the above debate will take place between 4 pm and 8 pm on Thursday, 28 July. I would be most grateful if you could let me have a list of the names of officials, who will be standing by throughout the debate, by 12 noon on Wednesday, 27 July.

All background briefing and lines to take should be with me by 6 pm on Monday, 25 July.

Thank you for your assistance with this.

Yours sincerely
Jane F Sell.

JANE F SELL
Parliamentary Clerk

cc Parliamentary Clerks

PWP

EXCHEQUER	
26 JUL 1988	
CST	



PRIVY COUNCIL OFFICE
 WHITEHALL, LONDON SW1A 2AT

22 July 1988

See Paul

**SCRUTINY DEBATE: PROPOSAL FOR HARMONISATION
 OF SOCIAL LEGISLATION REGULATIONS ON ROAD
 TRANSPORT**

Thank you for your letter of 4 July about the need to
 debate the above proposal at an early opportunity.

As you are aware, the Whips have arranged for a debate to
 take place on the floor of the House after 10.00 pm on
 Wednesday 27 July.

I am copying this letter to the members of L and OD(E)
 Committees and to Sir Robin Butler.

John Wakeham

JOHN WAKEHAM

Rt Hon Paul Channon MP
 Secretary of State for Transport

PWP

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT



22 July 1988

✓ 26/7

CH/EXCHEQUER	
REC.	26 JUL 1988
ACTION	CST
COPIES TO	

Dear Paul

SCRUTINY DEBATE ON SMALL CARS: GASEOUS EMISSIONS

Thank you for your letter of 8 July seeking a debate before the Recess on EC proposals relating to gaseous emissions from small cars.

As you know, it has not been possible to arrange a debate before the Recess, but the Whips will seek to do so as soon as practicable after the Commons returns.

I am copying this letter to members of L and OD(E) Committees and to Nicholas Ridley and Sir Robin Butler.

JOHN WAKEHAM

Rt Hon Paul Channon MP
Secretary of State for Transport

26 | 7 | 88

PAYMASTER GENERAL

MEMORANDUM

From PRIVATE SECRETARY

To PPS | CX

Special Advisers' Pay - PQ

You asked for a copy to pass to CX. (I have given Mr Cropper a copy too.)

Kim Alliman

PS/PMG

WRITTEN

TUESDAY 26 JULY 1988

TREASURY

La - Copeland

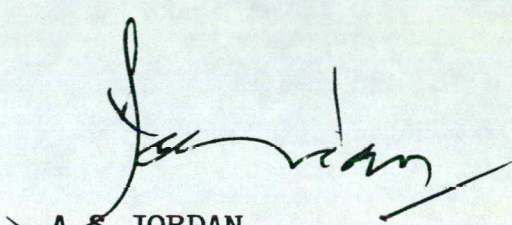
No. DR JOHN CUNNINGHAM: To ask the Prime Minister if she will list in the Official Report the grades of, and/or salaries paid to political and special advisers to: (a) herself; (b) Secretaries of State; and (c) Ministers, showing each Department separately?

DRAFT REPLY

There are currently 30 special advisers serving Ministers; two are unpaid and four are on secondment from the private sector. None of these posts is graded. Apart from the three most senior advisers, the remainder are paid on a common pay spine, as follows:

<u>Point No</u>	<u>Salary</u>	<u>No of advisers</u>
1	13,715	1
2	14,527	1*
3	15,047	
4	15,591	
5	16,479	1+1*
6	17,090	
7	17,686	
8	18,287	
9	18,966	
10	19,859	
11	20,497	1
12	21,270	
13	22,117	
14	22,927	1
15	23,736	3
16	24,755	1
17	26,359	1
18	27,702	1
19	29,050	1
20	30,398	1*
21	31,741	3
22	33,021	1
23	34,301	
24	35,952	2
25	37,159	
26	38,366	
27	39,312	1*
28	40,258	

*These four advisers are paid on a pensionable basis, as members of the Principal Civil Service Pension Scheme and their pay is reduced accordingly. The pay of all other special advisers is non-pensionable.


A S JORDAN
 Pay 2 Division
 Ext 5414


C J A CHIVERS
 Pay 2 Division
 Ext 4560

BACKGROUND NOTE

Special Advisers are allocated a pay point on entry according to their proven rate of earnings in outside employment. The appropriate figure is dependent upon their total remuneration immediately before entry. None of the posts is graded. The pay spine minimum is broadly equivalent to HEO(D) salary in the Civil Service; the spine maximum is comparable with a Grade 4 salary. Only 3 Special Advisers are paid above this level. One Special Adviser is unpaid; for those on secondment a rate is negotiated with their employer and paid to the firm rather than to the Special Adviser, who continues to receive his usual remuneration from his or her employer.

It would not be advisable to give a departmental break-down of the table in the proposed answer as this would enable individual salaries to be deduced. Because of the market rate aspect that information is regarded as confidential.



CH/EXCHEQUER	
REC.	26 JUL 1988
ACTION	CST
COPIES TO	

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434
My ref:
Your ref:

The Rt Hon John Moore MP
Secretary of State for Social Services
Richmond House
79 Whitehall
LONDON
SW1A 2NS

[Handwritten signature]

26 July 1988

Dear Secretary of State

LOCAL GOVERNMENT FINANCE BILL: LORDS CONSIDERATION OF COMMONS REASONS

As you know, the Bill goes back to the Lords today, Tuesday 26 July, for consideration of the amendments made in the Commons last Wednesday. The most important of these is the deletion of Lord Allen's amendments providing 100% rebates for the disabled.

It is not yet clear whether Lord Allen, or indeed anyone else, will seek to reintroduce those, or similar, amendments. But there must be a possibility that they will.

We obviously need to do everything we can to ensure that the Government is not defeated again on this point - that would increase the pressure on the Government to make a concession, or run the risk of losing the Bill for this Session. What Malcolm Caithness is able to say, in those circumstances, will be crucial.

I enclose a draft speaking note which Malcolm envisages using. You will see that, in the last three paragraphs, we are attempting to offer reassurance to the Lords on two points: the level of the uprating for 20% of the community charge, where I envisage going rather further than we have done so far in revealing the decision we took last autumn in E(LF), and the recent proposal you circulated for comment; and the Government's willingness to keep under review the social security payments to disabled people.

I would be grateful for your, and colleagues', comments as soon as possible, and no later than 2.30pm this afternoon.

I am copying this letter to the Prime Minister, members of E(LF), the Lord Privy Seal, Chief Whips in the Commons and the Lords, and Sir Robin Butler.

Yours sincerely
R Bridger

[Signature] NICHOLAS RIDLEY

(Approved by the Secretary of State + signed in his absence)



LCCR - DRAFT SPEAKING NOTE FOR LORD CAITHNESS ON THE DISABLED AND THE COMMUNITY CHARGE

My Lords, when we debated that the Local Government Finance Bill should pass from this House, virtually all those who spoke remarked on the good spirit in which our debates on the Bill had been conducted. There were many references, too, to the concessions that the Government had made as a result of the arguments that were put forward in your Lordships' House.

I believe that the consideration of this Bill has shown the value your Lordships' House as a revising Chamber. There is no doubt in my mind that the Bill was greatly improved as it left this House compared with when it arrived.

Those who attended our debates will recall the many important changes that the Government made as a result of the arguments that were put forward by noble Lords from all sides. I have in mind particularly the exemption from the personal community charge for the homeless, and for those who stay in night shelters and short-stay hostels, such as those run by the Salvation Army. We also brought forward amendments to exempt from the community charge voluntary care workers; we extended the exemption for the severely mentally impaired to cover those who become handicapped as a result of an accident in adulthood; we moved amendments to exempt prisoners on remand as well as those who had been convicted.

We agreed that people going into hospitals and nursing homes should be exempt from the standard community charge. We accepted an amendment moved by the noble Lord, Lord Meston, to prevent the extract of the community charges register from being sold.

Elsewhere in the Bill we deleted a whole Part - dealing with residual domestic rates. We undertook that there would be a de minimis rule for liability to business rates, so that these would not be payable by, for example, child minders, or those who offered seasonal bed and breakfast accommodation. We also made a very substantial concession by agreeing that the mandatory rate relief for charitable property should be 80%, rather than only 50% as it is now. That concession alone will save charities £50m a year.

As I have listed the changes that were made, it is noticeable how many of them concern the most disadvantaged members of our society - the homeless, the handicapped, those on very low incomes - and the organisations that are dedicated to caring for them. That is a testament to the concerns of your Lordships' House. But it is, I think, also a clear indication of the Government's willingness to listen and, on issues such as these, to be guided by the wisdom and expertise of your Lordships' House.

My Lords, I have prefaced my remarks in the way that I have because I think it is important to set in context the issue now before us - the disagreement by another place to the amendment moved by the noble Lord, Lord Allen of Abbeydale and added to the Bill at Report Stage in your Lordships' House. The Government gave many concessions on the Bill. It was defeated only twice. And this is the only group of amendments which, in the Government's view, would strike so fundamentally at the basic purpose of the Bill that they should not be included.

This is, I know, a matter on which many noble Lords - on all sides of the House - feel strongly. That was why your Lordships' House decided to give the other place - and the Government - the opportunity to consider this matter again. This is an issue which the Government has thought deeply about. The decision to invite the other place to disagree to the amendments was not one that was taken lightly. I must also point out that the noble Lord, Lord Allen's amendments were fully debated in another place, and my rt hon Friend the Secretary of State set out in detail the reasons why the Government had taken the view that the amendments were unacceptable.

The Government's attitude to the noble Lord, Lord Allen of Abbeydale's amendments is not born of any lack of concern for the disabled. That much, I hope, is evident not just from the concessions we have made on this Bill to the disabled. I would also remind your Lordships that, as a result of the social security changes which took effect from April this year, disabled people on average are £4.50 a week better off than they were before. The Government's aim has been to target help where it is needed - among the main beneficiaries from that policy have been the disabled.

The same is true, my Lords, of the community charge rebate system. It too will be specifically designed to give extra help, in three important respects, to those who are disabled.

- First disabled people will be eligible for rebates - whether the maximum, or any other level of rebate - at far higher net incomes than their able-bodied counterparts. In 1988/89, for example, that differential is £13.05 a week.

- Second for those disabled people who have an income, the first £15 a week of that income is disregarded in calculating their entitlements to rebate. For individuals who are not disabled, the disregard is only £5 a week.

- Third the whole of any mobility allowance and attendance allowance will be disregarded in calculating entitlement to community charge rebate, as well as the first £5 a week of any war pension.

I have already referred to the amendments which were made to the Bill in your Lordships' House, which ensure that those who are severely mentally impaired as a result of accidents in adulthood are exempt, as well as those handicapped from birth or in childhood. I must also say at this point that I suspect there may be some misunderstanding about the extent of the exemption for the severely mentally impaired. A number of individual cases have featured in the press and on radio recently, in discussions on this topic. All the cases I am aware of concern mentally handicapped young people living with their parents. On the facts as I have seen them described, all the young people concerned would be exempt from the community charge. Under no circumstances would they therefore be required to pay anything; and no question of a rebate would arise.

I realise that, where people would not be exempt, concern arises from the fact that, in high spending areas, the 80% rebate to which a person on low income would be entitled, plus the uprating included in their income support, would not cover the whole of the community charge bill they would receive. My Lords, I do not deny that. But I do want to caution against concentrating on the illustrative community charges in just one or two areas where spending is very high. In our discussions on this subject, for example, the case of Camden has been quoted frequently. But it is important to note that the illustrative community charge for Camden, based on 1988/89 spending, is £147 lower than the equivalent figure based on 1987/88 spending. I have every reason to believe that the figure will continue to fall. There is absolutely no reason to expect that, by the time the new system is fully in force in 1994, the Camden community charge will be anything like the £639 that present spending would imply.

Those living in low-spending areas will be slightly in pocket as a result of our proposals. Those living where spending is higher will find that they will have to pay slightly more. That will be true of all those who are community charge payers in any area. In the case of those on low incomes - including the low-income disabled - the amounts involved are small: a few pence per week. But the Government believes that those amounts are crucial to ensuring that local councils are fully accountable to the adults in their areas.

My Lords, during the passage of this Bill the Government has shown that it is willing to listen, and to modify its proposals in the light of concerns that have been advanced. I must emphasise again that the severely mentally handicapped will be entirely exempt from the personal community charge. This debate is not about those individuals.

So far as other disabled people are concerned, however, I have to say - as I did in your Lordships' House at Report Stage - that we come up against one of the basic tenets of the community charge system.

Before I sit down, however, I would like to give two further categorical assurances, which will, I hope, underline the Government's concern in these matters. The first involves the level of uprating to be included in income support to reflect the 20% community charge payments that will be made. That uprating will be carried out this autumn, in time for the start of the community charge system in Scotland in 1989. In deciding the amounts to be included within income support, the Government will take account of the best estimate available at that time of likely community charges. We shall look carefully at the amounts likely to be paid by various groups, and make sure we include an amount which is at least 20% of the likely average community charge level we then foresee.

The second point on which I want to reassure your Lordships is this. Much of the concern that has been expressed - in your Lordships' House and outside - relates in practice to the total amount that needs to be provided for disabled people to live on. I believe that the Government has an excellent record in this respect: I have already referred to the more generous treatment that disabled people receive in the social security and rebate systems. But the Government has no intention of resting on its laurels. We keep, and will continue to keep, these matters under constant review. We have already shown that we can and will react very quickly if, for example, the size of the disability premium or the earnings disregards for disabled people need to be increased.

My Lords, that approach, of reflecting the needs of disabled people in the social security systems, is, it seems to me, the appropriate one. On the basis that the Government is committed to it, I invite your Lordships to agree that we should not pursue the amendments put forward - for altogether laudable motives - by the noble Lord, Lord Allen of Abbeydale.



Leg Prod
85-88



26/7/88-
↙

Reform of Section 2 of the Official Secrets Act 1911

Presented to Parliament by the Secretary of State
for the Home Department
by Command of Her Majesty
June 1988

H.M. TREASURY AND
CABINET OFFICE
LIBRARY
27 NOV 1988

LONDON
HER MAJESTY'S STATIONERY OFFICE
£2.60 net

Reform of Section 2 of the Official Secrets Act 1911

Introduction

1. Section 2 of the Official Secrets Act 1911 has long been regarded as unsatisfactory and in need of reform. Early last year the Government decided to set in hand work which would allow it to determine whether it should make a further attempt to narrow and clarify the law on the protection of official information. The work began in April 1987, and by the end of the year had reached the stage where the Government concluded that it would in due course be right to put proposals for reform to Parliament. The Home Secretary accordingly announced in reply to a Parliamentary Question on 15 December 1987 that, when the work was brought to a conclusion later in the same Session, he would lay before Parliament a White Paper setting out the Government's proposals for the reform of section 2, with a view to early legislation. In the course of the debate on 15 January this year on the Second Reading of the Protection of Official Information Bill introduced by Mr Richard Shepherd MP, the Home Secretary said that he hoped to publish the White Paper in June. This is the promised White Paper.

2. The following chapters set out the Government's proposals for the reform of section 2 of the 1911 Act. The Government proposes no amendment to section 1, which deals with various espionage activities carried out "for any purpose prejudicial to the safety or interests of the State". There is no widespread dissatisfaction with section 1. On the contrary, it is sometimes suggested that the protection which section 1 provides for official information is fully adequate and that section 2 is simply unnecessary. This, however, is a misconception. Section 1 deals with the disclosure of information useful to an enemy with the specific purpose of prejudicing the safety or interests of the state. The relative gravity of such conduct is reflected in the higher maximum penalty for an offence under section 1 than for an offence under section 2, which deals with disclosure for other purposes of information useful to an enemy and with other disclosures harmful to the public interest. Without section 2 there would be insufficient protection for information the disclosure of which, for example, would undermine national security, help terrorists, impair the ability of the armed forces to defend the country or damage relations with other states, leading to commercial loss or even endangering the lives of British citizens abroad. The Franks Committee (see paragraph 9) considered carefully whether section 2 could simply be repealed. It concluded that:

"whether one takes a broad or narrow view of the kinds of official information requiring the protection of the criminal law, section 1 does not provide full protection. Effective protection requires that the law should cover leakage of information, as well as espionage."

The Committee accordingly recommended that section 2 should be replaced, not repealed.

3. The Government accepts the view that protection must continue to be given to certain information which section 1 does not fully protect. It believes that it is right to use the criminal law to prohibit disclosure of such information because of the degree of harm to the public interest which may result.

4. However, section 2 in its present form undoubtedly goes too wide. The subject of the Government's proposals is to attain a better definition of when, assuming that section 1 of the 1911 Act does not apply, the disclosure of official information should be a criminal offence.

5. This White Paper is principally concerned with information which would, under the Government's proposals, be protected by the criminal law. It does not, therefore address such matters as the question of public access to official information not covered by the Government's proposals. That is a separate issue which does not arise directly out of the reform of section 2.

The Need for Reform

Scope of section 2

6. Section 2 is a complex provision which creates a number of closely linked offences. It applies to information originally obtained by a person holding office under the Crown by virtue of that office or by a government contractor or his staff by virtue of his contract. It applies not only to information which is held by Ministers, Crown servants and government contractors but also to information originally obtained by them which is then entrusted to another person in confidence; or, of course, to information which is simply obtained by another person in contravention of the Official Secrets Acts. It is an offence for any person to communicate such information except to someone to whom he is authorised to communicate it or to whom it is his duty in the interest of the state to communicate it. Thus, if a Crown servant hands a document to an unauthorised person, it is an offence and, if that person, knowing that the Crown servant had contravened section 2 in giving it to him, passes it on to another unauthorised person, that is also an offence.

7. In addition, section 2 provides that it is an offence to use the information for the benefit of any foreign power or in any other manner prejudicial to the safety or interests of the state; to retain documents which the holder has no right to retain or to fail to comply with a direction from a lawful authority to return them; to fail to take reasonable care of or to endanger the safety of documents; to communicate information relating to "munitions of war" directly or indirectly to a foreign power or in any other manner prejudicial to the safety or interests of the state; or to receive any information knowing or having reasonable cause to believe that it is communicated in contravention of the Official Secrets Acts.

Defects

8. The drafting of section 2 is archaic and, in places, obscure. But the central objection is to its scope. It penalises the disclosure of *any* information obtained by a person holding office under the Crown or a government contractor in the course of his duties, however trivial the information and irrespective of the harm likely to arise from its disclosure. The "catch-all" nature of section 2 has long been criticised. Although in practice prosecutions are not brought for the harmless disclosure of minor information, it is objectionable in principle that the criminal law should extend to such disclosure. The excessive scope of section 2 has also led to its public reputation as an oppressive instrument for the suppression of harmless and legitimate discussion. Because section 2 goes so much wider than what is necessary to safeguard the public interest, its necessary role in inhibiting harmful disclosures is obscured.

Previous attempts at reform

9. Along with the disadvantages of section 2, the need for an effective and enforceable alternative which would command general support has also long been recognised. The first major initiative to devise such an alternative was the Departmental Committee, under Lord Franks of Headington, established in 1971

by a previous Conservative Government to review the operation of section 2 and make recommendations. The Committee reported in 1972. It recommended the replacement of section 2 by a new statute which would cover only official information in specified categories. It would have been an offence to disclose without authority any information in certain categories; but for information in other categories, unauthorised disclosure would have been an offence only if it was likely to cause serious injury to the interests of the nation. The Committee's recommendations depended heavily on the security classification of information. In particular, arrangements were proposed whereby a Minister would have certified before any prosecution that the information concerned was correctly classified at a level which meant that it was considered that the disclosure would cause at least serious injury to the interests of the nation. His certificate would have been conclusive evidence in any legal proceedings.

10. A White Paper published in July 1978 by the Labour Government, "Reform of Section 2 of the Official Secrets Act 1911" (Cmnd. 7285), set out proposals for legislation which closely followed the Franks Committee recommendations, although not all of the categories of information recommended by the Franks Report would have been covered. Among the recommendations of the Franks Committee which these proposals retained were the dependence on the classification of information and the role of the Minister in certifying conclusively that the information was properly classified at a level which meant that its disclosure was considered likely to cause serious injury to the interests of the nation.

11. When the new Government took office in 1979, it prepared a Bill to amend section 2. This closely followed the Labour Government's proposals. But it would have further reduced the number of categories of information protected by the criminal law, and it abandoned the dependence on the classification of information. The role of the Minister before prosecution was retained, but he would have been certifying directly that the disclosure of certain information would be likely to cause serious injury to the interests of the nation (or endanger the safety of a United Kingdom citizen). Despite following so closely the Franks Report and the Labour Government's White Paper, the Bill was widely criticised when it was introduced in the House of Lords in October 1979. The major specific areas of criticism were, first, the provision for conclusive Ministerial certificates and, second, the fact that the Bill would have made it an offence for anyone to disclose any information held by the Government relating to security or intelligence. Although the Bill received a Second Reading, it was clear to the Government that there was little chance of its commanding general acceptance, and it was withdrawn.

12. Besides these Government initiatives to reform section 2 there have been a number of Private Members' Bills over the last 20 years which have proposed various reforms of the provision.

The way forward

13. As this history indicates, section 2 as it stands has few, if any, defenders, and successive Governments have agreed that it should be reformed. But it has been difficult to find agreement on the precise nature of the reform. The recommendations of the Franks Committee have naturally dominated discussion of this issue since they were published in 1972, and have remained a necessary and valuable reference point for the Government's present consideration of the reform of section 2. But the Government has tried to look afresh at the issues, taking into account the criticisms of its 1979 Bill and the development of Parliamentary and public thinking in recent years. It believes that the proposals which follow would allow the creation of new legislation to replace section 2 which would be easily comprehensible, readily applicable by the courts and widely accepted as useful and necessary.

Objectives and Principles of the Government's Proposals

14. The central concern of any reform of section 2 is to determine in what circumstances the unauthorised disclosure of official information should be criminal. For this purpose it is not sufficient that the disclosure is undesirable, a betrayal of trust or an embarrassment to the Government. So far as Crown servants are concerned there is a range of circumstances in which the disclosure of information may properly constitute a disciplinary offence, but the intervention of the criminal law would not be justified (paragraphs 71–73 discuss this further). There may also be circumstances in which it is right for the Government to seek to enforce its rights on behalf of the public under the civil law of confidence, notwithstanding that no prosecution for a criminal offence is possible. As explained in paragraph 3, what justifies the application of the criminal law, where disclosure is not caught by section 1 of the 1911 Act, is the degree of harm to the public interest which may result. The objective of the Government's proposals is to narrow the scope of the present law so that the limited range of circumstances in which the unauthorised disclosure of official information needs to be criminal are clearly defined. This will ensure that no one need be in doubt in what circumstances he would be liable to prosecution, and enable the courts to enforce the law without any undue burden of proof being placed either on the defence or on the prosecution.

Ministerial certificates

15. Under the Government's 1979 Bill it would have been an offence to disclose information relating to defence or international relations the unauthorised disclosure of which would be likely to cause serious injury to the interests of the nation or endanger the safety of a United Kingdom citizen. As explained in paragraph 10, the question whether the disclosure of particular information was likely to have these effects was, under the Bill, to be determined by a certificate from the relevant Minister which could not have been challenged by the defendant in the subsequent legal proceedings for the offence of disclosure. As also explained in paragraph 10, this procedure descended directly from a recommendation in the report of the Franks Committee which was intended simply to constitute a check on the correctness of classification. The rationale for leaving to a Minister the judgement of the potential effect of the disclosure of certain information on the interests of the nation is obvious. Because of his responsibilities within the Government for the area to which the information concerned relates, the Minister is uniquely qualified to make a judgement on the damage to the public interest likely to arise from its disclosure.

16. This proposed arrangement was, however, criticised as placing too much power in the hands of Ministers. It was argued that, since the defendant would not be able to challenge the Minister's certificate, an essential element of the offence would not be considered by the courts but would be decided by the Minister alone. There would be no restraint on a Minister issuing a certificate, even if circumstances did not objectively justify it. The Minister would not be seen as disinterested and there would always be the suspicion of political bias.

17. The Government recognises the force of these arguments. Various arrangements have been proposed since 1979 whereby the power to certify would be shared between the Minister and some other person or body or would pass to another person or body. But no other body or individual shares the Minister's responsibility for safeguarding the interests of the nation and none is therefore as well or better placed to make or review the necessary judgement.

18. The Government accepts the arguments against the procedure previously proposed for conclusive Ministerial certificates as to the likelihood of serious damage to the interests of the nation. It believes that if the issue is not to be decided by a Minister it must, like all other issues relating to the reformed offence, be left to the courts. The Government accordingly proposes that, where it is necessary for the courts to consider the harm likely to arise from the disclosure of particular information, the prosecution should be required to adduce evidence as to that harm and the defence should be free to produce its own evidence in rebuttal. The burden of proof would be on the prosecution, in the normal way. There would be no Ministerial certificates.

19. The Government is proposing (see paragraph 66) that the central offence of disclosure should in England and Wales be triable either in the magistrates' courts or in the Crown Court. The effect would be to give the opportunity to any person accused of disclosing information in contravention of the new legislation to put his case before a jury. (In Scotland, in accordance with normal procedure, it is for the Crown to decide whether the offence is serious enough to be prosecuted on indictment and therefore before a jury.)

Tests of harm to the public interest

20. As mentioned in paragraph 15, the test proposed in the 1979 Bill, following Franks, was

“likely to cause serious injury to the interests of the nation or endanger the safety of a citizen of the United Kingdom and Colonies.”

The first part of this formulation embodies a very general concept. While this was practicable in conjunction with the procedure for Ministerial certificates, it would be unreasonable to expect the courts to apply such a broad test. While it is acceptable to speak in general terms of the need to protect information where disclosure would harm the public interest, a more specific definition is required in any new legislation if the prosecution, the defence and the court are to be able to make judgements as to the harm likely to arise from disclosure of particular information.

21. The Government has considered whether to return to the system proposed by the Franks Committee whereby the classification of information is the essential determinant of the offence. But this approach was abandoned in 1979 and the Government has concluded that it should not be readopted. The arguments are set out in paragraphs 74-76.

22. The Government considers that as far as possible any test of harm should be concrete and specific if it is to be applied by the courts. At this practical level, the harm likely to arise from the disclosure of different kinds of information is not the same in all respects in each case. The Government therefore proposes separate tests of likely harm for the different categories of information to be covered by future legislation.

23. The following paragraphs discuss, first, which categories of information should be covered by a new Bill, and second, what, if any, tests of likely harm to the public interest should be applied to each.

Categories of Information to be Covered by New Legislation

24. In any new legislation to replace section 2, it is necessary to identify those areas in which the disclosure of at least some information may be sufficiently harmful to the public interest to justify the application of criminal sanctions. The number of such areas is in fact small. For the most part, even if disclosure may obstruct sensible and equitable administration, cause local damage to individuals or groups or result in political embarrassment, it does not impinge on any wider public interest to a degree which would justify applying criminal sanctions.

Defence, security and intelligence

25. The most obvious areas in which the public interest needs to be protected are those where the protection of the nation from attack from outside or from within is involved. Clearly new legislation must protect information relating to defence (including civil preparedness) and information relating to security and intelligence.

26. Indeed, in one respect the Government considers that it is necessary to go further than the present law. Increasing international co-operation in recent years on defence and on international problems such as terrorism has meant that a growing amount of sensitive information is being shared with other governments, often through the medium of international organisations. At present, if such information is disclosed abroad, it is not an offence to publish it in this country.

The Government believes that there is a gap in the law here which is liable to inhibit effective international co-operation. It accordingly proposes that, where information in these categories has been provided in confidence to another government or international organisation and has been improperly disclosed abroad, its further disclosure in this country should be treated in the same way as if the original disclosure had taken place in this country.

International relations

27. Another area where the disclosure of certain information may lead to serious consequences for the nation is that of international relations. A disclosure which disrupts relations between this country and another state may result in measures by that state against British interests and resident British citizens or anti-British public reaction within that state, putting at risk the property or even the lives of British citizens. The arguments set out in the previous paragraph in relation to information provided in confidence to other governments or international organisations apply also to information relating to international relations, and the Government proposes to provide similar protection in respect of this information.

Information obtained in confidence from other governments or international organisations

28. Somewhat similar considerations apply to information provided by other governments or international organisations on conditions requiring it to be kept in confidence. But besides the direct consequences which the disclosure of such information may have on relations between this country and the state which provided the information, such disclosure has a wider disruptive effect on international diplomacy. If it appears that this country is unwilling or unable to protect information given in confidence, it will not be entrusted with such information. The Government's ability to function effectively in international diplomacy and in relation to international organisations, and consequently its ability to protect and promote this country's interests, will thereby be impaired. Furthermore, the ability and willingness of this country to protect the secrets of another state are likely to determine the willingness of that state to protect this country's secrets.

Information useful to criminals

29. It is clearly sensible that there should be an inhibition on the disclosure of official information which is likely to be useful in the commission of crime, in helping a prisoner to escape from lawful custody or to terrorists. Similarly information which, if disclosed, would obstruct the prevention or detection of an offence or the offender's arrest or prosecution also needs to be protected.

Interception

30. There is a particular sensitivity about the interception of telephone calls, mail and other forms of communication. It is an exceptional but vital instrument which is used, for the protection of society, when other means are not available. Successive Governments have recognised that properly controlled interception for limited purposes, such as national security or the prevention and detection of crime, is not only justified but essential in the public interest. The effectiveness of interception would be much reduced if details of the practice were readily available. But it is not only the means by which interception is practised which need to be protected. The information gathered by its use, even where it is not covered by one of the other categories already mentioned, ought not to be publicly available. Interception inevitably involves interference, without their knowledge, with the privacy of those whose communications are intercepted. Such interference is acceptable in the public interest only if those responsible for interception maintain the privacy of the information obtained.

Categories not covered by present proposals

31. All the categories of information mentioned above were covered by the Government's 1979 Bill, and the Government proposes that they should be covered by new legislation.

32. The Government remains of the view, which was also taken in 1979, that it is not necessary or right for criminal sanctions to apply to Cabinet documents as a class or to advice to Ministers as a class. Documents of this kind will be protected by the proposals if their subject matter merits it, but their coverage *en bloc* would fuel suspicions that information was being protected by the criminal law merely for fear of political embarrassment.

33. Nor is it considered necessary to protect economic information as a class. Protection will be provided by disciplinary procedures and, where necessary, by specific legislation on particular subjects.

34. The 1979 Bill would have protected information provided in confidence to Crown servants or government contractors by firms, other bodies and individuals. This reflected a recommendation of the Franks Committee. It is clearly right that when sensitive commercial or personal information is provided to the Government it should not be lightly disclosed. But the Government has concluded that it would not be right to give blanket protection to all information offered in confidence in legislation designed to protect only that information the disclosure of which would seriously harm the public interest.

35. For the most part the Government takes the view that the civil remedies available to those providing information, and the disciplinary procedures which would penalise disclosure by a Crown servant, provide sufficient protection for private information. However, there are circumstances, particularly where information is provided under a statutory requirement, where, as the Franks Committee argued, it is in the public interest that private information is given the protection of the criminal law. There are already a number of specific offences relating to the disclosure by Crown servants of particular information provided under statutory requirements. The Government is considering whether the reform of section 2 and the consequent narrowing of the range of information protected by the criminal law would leave without a criminal safeguard any private information provided to the Government in confidence which merits such protection. A particular area for consideration, for example, is information provided to the tax authorities. Consideration will, if necessary, be given to the creation of separate specific offences of disclosure.

Circumstances in which Disclosure would be an Offence

36. Crown servants will in the normal course of their duties properly disclose information in the categories which the Government proposes should be covered in new legislation. The same is true of government contractors. It is obviously not intended that such disclosures should be caught by the new legislation, and references to disclosure in the following paragraphs should accordingly be read as excluding disclosures of that kind.

37. As explained in paragraphs 20–22, the Government considers that disclosure of information in the categories to be covered by new legislation should be an offence only where a certain degree of harm to the public interest is likely to result, and that the definition of the harm which is to be a condition of the offence need not and should not be the same in all respects for each category of information. The following paragraphs accordingly consider what test of harm, if any, should be attached to each category of information.

Security and intelligence matters

38. Under the Government's 1979 Bill the disclosure by *any* person of *any* information relating to security and intelligence would have been an offence. As explained in paragraph 11, this was a source of criticism. The Government does not now propose that new legislation should make all such disclosures an offence. It proposes instead that legislation should make a distinction between disclosures by members and former members of the security and intelligence services and disclosures by other persons; and that, in the latter case, the prosecution should have to show that the disclosure was likely to damage the operation of the security or intelligence services.

39. Because of the exceptional sensitivity of this area of information, however, there is a particular difficulty in bringing prosecutions in some cases which could be exacerbated by the need to show that the proposed test of harm had been met. In order to prove the truth of the information at present, and in order to satisfy the test of harm if the Government's proposal is adopted, evidence may need to be adduced which involves a disclosure which is as harmful as or more harmful than the disclosure which is the subject of the prosecution. Because of this danger it is not always possible to bring a prosecution at all. The Government considers that it is not in the public interest that those who wish to disclose information which damages the operation of the security or intelligence services (for example by revealing details of their operations or identifying personnel) should be able to do so with impunity, simply by reason of the sensitivity of the subject matter.

40. The Government proposes to meet this difficulty by providing that the prosecution should have to prove either that the disclosure was likely to damage the operation of the security or intelligence services or that the information concerned was of a *class or description* the disclosure of which would be likely to damage the operation of the services. This would allow the arguments before the court to be less specific. The prosecution would have to satisfy the court that a particular disclosure was of a certain class or description, and that disclosure of information of that class or description was likely to damage the operation of the services.

41. While the Government believes that this proposed test of harm is in general adequate to safeguard the interests both of the defendant and of the security and intelligence services, it considers that different arguments apply to the unauthorised disclosure of information by members or former members of those services. It takes the view that all such disclosures are harmful to the public interest and ought to be criminal. They are harmful because they carry a credibility which the disclosure of the same information by any other person does not, and because they reduce public confidence in the services' ability and willingness to carry out their essentially secret duties effectively and loyally. They ought to be criminal because those who become members of the services know that membership carries with it a special and inescapable duty of secrecy about their work. Unauthorised disclosures betray that duty and the trust placed in the members concerned, both by the State and by people who give information to the services.

42. The Government accordingly proposes that it should not be necessary for the prosecution to adduce evidence of the likely damage to the operation of the security or intelligence services when information relating to security or intelligence has been disclosed by a member or former member of one of those services.

43. The difficulties described in paragraph 39, arising from the fact that a trial may lead to the disclosure of information more sensitive than has already been disclosed, need particularly to be overcome where the defendant is a member or former member of the security or intelligence services. It is clearly not in the public interest that a person who is entrusted with the protection of the security of the country, and who betrays that trust, should be able to escape prosecution because of the very sensitivity of the information with which he has been entrusted. Furthermore, as a general policy, Governments do not comment on assertions about security or intelligence: true statements will generally go unconfirmed, and false statements will normally go undenied. As a result, and because of the particular credibility attaching to statements about security or intelligence by members of the services concerned, the circulation of misinformation by a member of the services may, in a different way, be as harmful as his disclosure of genuine information.

44. The Government proposes to meet these problems by making it an offence for a member or former member of the security or intelligence services to make any disclosure which is either of information relating to security or intelligence or which purports to be of such information or which is intended to be taken as such.

45. These issues have been discussed in terms of the "security and intelligence services". But the arguments apply not only to actual members and former members of the services but also to those who work closely in support of or who are in frequent contact with the services, such as certain members of the armed forces who provide technical support for the services, or officials in specified posts in certain Departments who deal with the services on a regular basis as part of their normal duties. These non-members have the same sort of access to sensitive information relating to security or intelligence, and to the operation of the services, as members themselves. It seems right that it should similarly be an offence for any of these non-members to disclose any information relating to security or intelligence or to make any statement which purports to be a disclosure of such information.

46. However, some of these non-members occupy such sensitive posts only temporarily. The special offence should only apply in respect of information acquired in such posts. For any disclosure of information relating to security or intelligence acquired in a previous or subsequent post it should be necessary for the prosecution, as normal, to satisfy the courts that the operation of the security or intelligence services was likely to be damaged.

47. In order to give effect to these proposals, the Government proposes that there should be a power for the responsible Minister to designate individuals or groups whose duties necessarily involve extensive familiarity with the work of the security and intelligence services as having the same criminal liability as members of these services in respect of the disclosure of information relating to security or intelligence.

48. The list of persons designated would not, for obvious reasons, be made public. But the persons concerned would be notified individually; and criminal liability would attach only after the individual officer concerned had received notification of his liability.

Defence 49. As regards the disclosure of information relating to defence, the Government proposes that the prosecution should have to prove that the disclosure was likely either to prejudice the capability of the armed forces to carry out any of their defence tasks, or to lead to a risk of loss of life, injury to personnel or damage to equipment or installations, or to prejudice dealings between the Government and the government of another state or an international organisation.

International relations 50. It is proposed that disclosure of information relating to international relations should be an offence if it can be shown that the disclosure would be likely to jeopardise or seriously obstruct the promotion or protection of United Kingdom interests abroad, or to prejudice dealings between the Government and the government of another state or an international organisation, or to endanger the safety of a British citizen.

Information obtained in confidence from other governments or international organisations 51. As explained in paragraph 28, the harm arising from the disclosure of information provided by other governments or international organisations on conditions requiring it to be held in confidence is not simply the disruption of relations between the Government and other government or the organisation concerned. There is a wider damage to the standing of the United Kingdom in relation to all governments and international organisations. For that reason any unauthorised disclosure is harmful, and the Government sees no purpose in setting a test of harm which is bound to be satisfied in every instance.

Information useful to criminals 52. The category of information whose disclosure would be likely to be useful in the commission of offences or to terrorists, or in helping a prisoner to escape from custody, already carries its own test of harm within it. The prosecution need to prove that the information would be likely to be useful for one of these obviously harmful purposes. There is no need or scope for any additional test of harm in respect of this category.

Interception 53. Finally, paragraph 30 sets out the reasons why the disclosure of information relating to the process of interception or obtained by that means is harmful. It seems to the Government that no information relating to this process can be disclosed without the possibility of damaging this essential weapon against terrorism and crime and vital safeguard of national security. Similarly no information obtained by means of interception can be disclosed without assisting terrorism or crime, damaging national security or seriously breaching the privacy of private citizens. The Government does not therefore consider that a specific test of harm can be formulated or, indeed, is necessary or appropriate for this category of information.

The Liability of the Discloser

54. The previous paragraphs have considered in what circumstances the unauthorised disclosure of certain information should be an offence. The next question is whether it should be an offence whoever makes the disclosure. As has been made clear earlier in the White Paper, the Government considers that what justifies making the unauthorised disclosure of certain information a criminal offence is the degree of harm to the public interest in which it is likely to result. Since the unauthorised disclosure of such information by, say, a newspaper may be as harmful as disclosure of the same information by a Crown servant, the Government believes that it would not be sufficient for the new legislation to apply only to disclosure by Crown servants. The objective of official secrets legislation is not to enforce Crown service discipline—that is not a matter for the criminal law—but to protect information which in the public interest should not be disclosed. Such protection would not be complete if it applied to disclosure only by certain categories of person. The Government accordingly proposes that the unauthorised disclosure by any person of information in the specified categories in circumstances where harm is likely to be caused should be an offence.

55. However, although the justification for applying the criminal law in this area is the harm that disclosure may cause, it would not be right to make disclosure criminal except where the discloser knows or can reasonably be expected to know that the disclosure would be likely to cause harm. In applying this principle a distinction can be drawn between the liability of Crown servants and government contractors and of other people, including the media.

56. In general it is reasonable to assume that a Crown servant knows the value of the information that comes to him in the course of his duties, and that, if he discloses information likely to cause harm, he knows what he is doing. There will be circumstances, however, in which a Crown servant intends to act properly and indeed acts reasonably, but unwittingly makes a harmful disclosure. In such circumstances the Government proposes that it should be open to him to claim the defence that he could not reasonably have been expected to realise the harm likely to be caused by his disclosure. The same arguments apply equally to a government contractor who discloses information which he receives in the course of his contract.

57. For a person who is not a Crown servant or government contractor, the Government considers that the opposite presumption should be made: that, unless proved otherwise, such a person does not know that disclosure of particular information in the categories to which the Government proposes to attach a test of harm would be likely to result in that harm. The Government accordingly proposes that, in such cases, the prosecution should have to prove not only that the disclosure would be likely to result in harm but that the person who made the disclosure knew or could reasonably have been expected to know that harm would be likely to result.

A Public Interest Defence

58. Suggestions have been made that the law should provide a general defence that disclosure was in the public interest. The object would be to enable the courts to consider the benefit of the unauthorised disclosure of particular information, and the motives of the person disclosing it, as well as the harm which it was likely to cause. It is suggested, in particular, that such a defence is necessary in order to enable suggestions of misconduct or malpractice to be properly investigated or brought to public attention.

59. The Government recognises that some people who make unauthorised disclosures do so for what they themselves see as altruistic reasons and without desire for personal gain. But that is equally true of some people who commit other criminal offences. The general principle which the law follows is that the criminality of what people do ought not to depend on their ultimate motives—though these may be a factor to be taken into account in sentencing—but on the nature and degree of the harm which their acts may cause.

60. In the Government's view, there are good grounds for not departing from the general model in this context; and two features of the present proposals particularly reinforce this conclusion. First, a central objective of reform is to achieve maximum clarity in the law and in its application. A general public interest defence would make it impossible to achieve such clarity. Secondly, the proposals in this White Paper are designed to concentrate the protection of the criminal law on information which demonstrably requires its protection in the public interest. It cannot be acceptable that a person can lawfully disclose information which he knows may, for example, lead to loss of life simply because he conceives that he has a general reason of a public character for doing so.

61. So far as the criminal law relating to the protection of official information is concerned, therefore, the Government is of the mind that there should be no general public interest defence and that any argument as to the effect of disclosure on the public interest should take place within the context of the proposed damage tests where applicable.

A Defence of Prior Publication

62. Under the Government's 1979 Bill it would not have been an offence to disclose without authority information in certain categories if the defendant could show that the information had been made available to the public before his disclosure. The rationale for this defence was that, if the information in these categories was publicly available, a second disclosure could not be harmful. It seems to the Government that this rationale is flawed. There are circumstances in which the disclosure of information in any of the categories which the Government proposes to cover in new legislation may be harmful even though it has previously been disclosed. Indeed, in certain circumstances a second or subsequent disclosure may be *more* harmful. For example, a newspaper story about a certain matter may carry little weight in the absence of firm evidence of its validity. But confirmation of that story by, say, a senior official of the relevant Government Department would be very much more damaging. In such circumstances, the Government considers that the official should still be subject to criminal sanctions. Similarly, the publication of a list of addresses of persons in public life may capture the interest of terrorist groups much more readily than the same information scattered in disparate previous publications.

63. The Government does not, therefore, propose that there should be an absolute defence of prior publication for any category of information. But in cases in which the prosecution would under the Government's proposals have to show that disclosure was likely to result in harm, the offence would not be made out if no further harm is likely to arise from a second disclosure. The prior publication

of the information would be relevant evidence for the court to consider in determining whether harm was likely to result from a second disclosure, but it would not be—and, in the Government's view, should not be—conclusive.

64. In those cases in which the proposals in this White Paper do not provide for the question of harm to be an issue in determining whether an offence has been committed, that is precisely because the Government considers that any disclosure of information in such cases is harmful; and that applies irrespective of whether the information has previously been made public in some form. If information is published unlawfully, it is difficult to see why it should *ipso facto* become lawful at any time thereafter to publish the information as widely as and in whatever form the publisher chooses.

Other Offences, Enforcement and Extent

Other offences 65. The central mischief at which the Government's proposals are aimed is the unauthorised disclosure of information the publication of which is harmful to the public interest. However, there are actions which conduce to this central mischief and which the Government considers should also be criminal. At the lower end of the scale of seriousness, there is the Crown servant who culpably fails to take sufficient care of documents containing information the unauthorised disclosure of which would be an offence. At the upper end is the person who reveals to a person, who he knows is going to use the knowledge, how to gain access to information the unauthorised disclosure of which would be an offence. The Government proposes that both should be an offence. The Government also proposes that it should be an offence for any person who is wrongfully in possession of a document containing information whose unauthorised disclosure would be an offence to fail to return the document when required to do so. It is not, however, proposed that mere receipt of such information (as in the present law) should be an offence.

Penalties 66. For the central offence of deliberate disclosure, the Government proposes that the new legislation should provide the same maximum penalty on indictment as for the present offences under section 2: two years' imprisonment or a fine or both. On summary conviction it proposes, as in its 1979 Bill, that the maximum penalty should be six months' imprisonment or a fine not exceeding the statutory maximum (at present £2000) or both.

67. The Government considers that the same maximum penalties should be applicable to the offence of revealing how to gain access to information the unauthorised disclosure of which would be an offence. Knowingly to facilitate the disclosure of such information is as culpable as to disclose it oneself. The other offences mentioned in paragraph 65 are less serious, and the Government proposes only summary penalties, although it considers that the power of imprisonment should be available given that, for example, the disclosure of a document which a person refuses to return might lead to loss of life.

Powers of investigation and arrest 68. It will be necessary to ensure that the police have adequate powers to investigate the new offences. It will, for example, be necessary for England and Wales to designate the central offence as an "arrestable offence" for the purposes of the Police and Criminal Evidence Act 1984.

Authority for prosecution 69. At present, under sections 8 and 12 of the Official Secrets Act 1911, no prosecution may be brought under section 2 in England and Wales or Northern Ireland except by or with the consent of the Attorney General. The Government proposes that, under the new legislation, no prosecution should be brought in respect of information relating to security, intelligence, defence, international relations or interception or information provided by other governments or international organisations on conditions requiring it to be held in confidence except by or with the consent of the Attorney General. Prosecutions in

respect of information useful in the commission of offences or in escape from lawful custody would rest with the Crown Prosecution Service in England and Wales; in Northern Ireland they would require the consent of the Director of Public Prosecutions for Northern Ireland. In Scotland the Lord Advocate is responsible for all prosecutions.

Territorial extent 70. The Government proposes that the new legislation should apply throughout the UK and that it should be possible to extend it by Order in Council to the Channel Islands and the Isle of Man. By virtue of section 10(1) of the Official Secrets Act 1911, section 2 offences may be committed abroad by "British officers or subjects". The Government proposes to retain the spirit of this provision by giving the United Kingdom courts jurisdiction over offences under the new legislation if committed abroad by a British citizen, Crown servant or government contractor.

The Future Role of the Civil Service Discipline Code

71. The result of implementing the Government's proposals would be that only a very small proportion of the information in the hands of Crown servants would be protected by the criminal law. That does not mean, however, that there will be no inhibition on the disclosure of any of the information which the criminal law will no longer protect. The Government still has the duty to keep the private confidences of citizens and others. More generally, Ministers will continue to determine what information should be disclosed and to account to Parliament for those decisions. In practice Ministers already make a great deal of information public or authorise Crown servants to do so on their behalf.

72. The Civil Service Discipline Code already provides penalties for unauthorised disclosures which can be invoked where it is not thought right to bring a prosecution under section 2. The Discipline Code will continue to be applied against unauthorised disclosure of information.

73. Once new legislation is in place it will be necessary to amend the conduct rules for Crown servants, in particular the rules covering the disclosure of official information, in consultation with the Civil Service trade unions, to reflect the fact that the criminal law no longer protects all official information. Departmental rules and guidance will also need to be revised to ensure that it is clear to Crown servants what types of information they cannot disclose without authority without rendering themselves liable to criminal or, as the case may be, disciplinary action.

The Security Classification of Information

74. As explained in paragraph 21, the Government does not intend to rely on the security classification of information as a test of harm likely to be caused by the disclosure of that information. Although the Government's 1979 Bill departed to some extent from the Franks Committee approach in this respect, it did contain provision for regulating the classification of information and documents relating to defence or international relations. Under that Bill, however, the harm arising from the disclosure of such information would have been certified by a Minister. The Government sees no need for legislative provisions relating to classification under the scheme it is now proposing, in which neither the classification of information nor the opinion of a Minister plays a crucial part.

75. Under the Government's proposals the question of the harm arising from disclosure will be a matter on which the prosecution have to satisfy the court. The fact that a document was classified at a certain grade is not evidence of likely harm; it is only evidence of the view of the person who awarded the classification. Moreover, it is evidence only of the view taken at the time of classification;

circumstances may have changed by the date of the disclosure. The grade of classification may be relevant in a prosecution as evidence tending to show that the defendant had reason to believe that the disclosure of the information was likely to harm the public interest, but the prosecution will have to adduce separate evidence to prove that the disclosure was indeed likely to cause such harm.

76. But within the Crown service the classification of documents will, of course, continue to play an essential administrative role in the handling of information and will be relevant in disciplinary proceedings for the unauthorised disclosure of information not covered by the new legislation. The fact that classification plays no part in the Government's proposals in no way diminishes the duty on Crown servants to ensure that documents are given an accurate grading.

Conclusion

77. This White Paper presents a set of proposals the central objective of which is to apply the criminal law to those, and only those, who disclose a limited range of information without authority knowing or having good reason to know that to do so is likely to harm the public interest. The proposals would not apply criminal sanctions to disclosures which are not likely to harm the public interest, nor to anyone who could not reasonably have been expected to foresee the effect of his disclosure.

78. Responsible media reporting would not be affected by the Government's proposals. They represent a restriction on freedom to publish, but any legislation in this area must limit that freedom. The law already constrains in various ways what may be published in order to avoid damage to private interests. It is right that constraints should also be imposed to prevent unacceptable damage to the public interest.

79. Under the Government's proposals it will be for the courts, and the courts alone, to decide whether the disclosure of particular information is criminal. The Government is entrusting the safeguarding of the public interest to the jury.

80. The Government believes that the proposals set out in this White Paper would result in clear and intelligible legislation which juries could apply readily and equitably. The legislation would apply to culpable acts without drawing in harmless or innocent actions. It would merit and receive the confidence of the public and of juries.

81. The Government intends to initiate debates in both Houses of Parliament on its proposals in July. It will then consider the opinions expressed in those debates, and the comments which it receives from other sources on the proposals, with a view to early legislation.