

NA

PRIME MINISTER

24 February 1987

No Turning Back Group

Tomorrow you have dinner with the No Turning Back Group. As might be expected their proposals for the Manifesto are lively and stimulating. I attach some questions from the Policy Unit which may help probe their ideas a little further.

1. A share owning democracy (page 7)

A very appealing idea. The Treasury do not know the precise figure for shareholders. The major reason for increased shareholding would be new privatisations - such as water, electricity, coal and steel and possibly parts of the Post Office and British Rail.

- (a) The only question which might be asked is if we make this commitment, what is the chance that we could fail by a really large margin to meet the target.

2. Privatisation proposals for Scotland (pages 9-10)

See attached paper by John Wybrew.

3. The Health Service (pages 13-14)

The proposals that contracting out be extended to clerical staff, competition introduced between health authorities and patients given greater choice with money following their decisions are all sound ideas.

- (a) What are the practical problems of allowing patients treatment in other Health Authority areas? Assume a given RHA or DHA, with substantial waiting lists? If

patients from its area seek treatment elsewhere, its budget will be reduced. Unless it makes offsetting savings, the short term problem in this area will be exacerbated. Could this be used to our advantage forcing the area health authority to become more efficient or will political pressure groups prevail and simply lead to a demand for more government funding.

- (b) The "Patients' Right to Treatment" is another first class idea. What legislative changes are necessary for it to be possible, within the great general structure of the health service?

4. Schools (page 18)

These ideas amount to global per-capita funding.

- a. Under this system who would "own the schools"?
- b. } What is the position of voluntary-aided and controlled schools in terms of an elected school board?
- c. Would the schools have total direction over admissions policy?
- d. What body would be responsible for (i) placing difficult children, (ii) dealing with truancy?
- e. Would there be an intermediary body between DES and the 26,000 schools in the country? If so how would it work?
- f. How would the terms of reference of the HMI be revised?

5. Prisons (page 20)

On page 20 the Group state "we are examining the possibility of introducing private management of prisons as practiced in some American States". You might ask the following questions:

- a. What more precisely is proposed should be considered.
- b. If the answer is "all options" then would the Group begin with Remand Centres or how would they begin?
- c. How would they quell the fears of the Prison Officers' Association?
- d. How would they handle a national strike of Prison Officers?
- e. Can they think of other ways to maximise the yield and return from the capital assets owned by the Prison Department of the Home Office?
- f. Would they like to consider new high-technology or industrial prisons in the private sector that could employ prisoners and enable them to pay compensation to victims?

6. Widdicombe (page 22)

The Group propose that "the next Government would legislate to define the acceptable relationship between employment by one local authority and holding elected office in that, or another authority."

There is already a ban on the local authority staff becoming members of that authority. Widdicombe proposed that in addition officers of the rank of Principal Officer, (roughly the equivalent of HEO in the Civil Service) or above, should

be prevented from being members of any local authority.
Comments on Widdicombe have suggested that this proposed ban is at too low a level and should apply only to Chief Executives, Chief Officers and Deputy Chief Officers.

- a. What are the Group's views?
- b. What other changes does the Group consider necessary in order to safeguard democracy in local government?
- c. What about the procedures for appointing officers, co-option and strengthening district audit and the local Ombudsman?

7. UDCs (page 24)

On page 24 the group of MPs state "we shall introduce Urban Development Corporations to work with but separately from local authorities to regenerate our urban cities".

- a. How does the Group see this working?
- b. How would they cost the Urban Development Corporation expansion?
- c. Would they consider cashless or low cash UDCs? How would these work?
- d. Would they consider a new style UDC which was little more than an extended, simplified planning zone where the local authority was ousted?
- e. Would they include housing in their UDCs?
- f. What size would their UDCs be; would they be regional, sub-regional or quite small?

8. British Rail (page 25)

See attached paper by John Wybrew.

Brian Griffiths

BRIAN GRIFFITHS

NO TURNING BACK GROUP - PRIVATISATION PROGRAMME

The No Turning Back Group have some lively ideas but their views on the privatisation programme lack strategic coherence. The virtues of employee share-ownership in the businesses privatised and the contribution of privatisation to a property-owning democracy are emphasised. Curiously, the benefits of privatisation in stimulating competition, enterprise and efficiency are barely mentioned. Scotland is singled out for a big dose of privatisation to counter the Scottish's economy's excessive dependence on Government support and public sector activity. Plans for the privatisation of British Railways are expounded whereas electricity, coal and water just get a passing reference.

When the euphoria of an election success is followed by tough decisions on the objectives and priorities of the Third Term, we fear that too much weight will be given to:

- the Treasury's desire for further large asset sales from the privatisation programme;
- desire on the part of those who emphasise the virtues of a property-owning democracy to make the privatisations attractive to would-be shareholders, even at the expense of competition and consumers;
- (hence) the avoidance of forms of privatisation which, although of greater lasting value, entail short-term risks of disruption and industrial action.

It is important therefore that we have a strong re-affirmation of the objectives of the next stage of the privatisation programme eg:

- The easier privatisations have already been accomplished.

Those ahead will inevitably be more difficult to design, more complex to organise, and more risky to implement.

- The real prize for success lies in the lasting benefits to be realised through the privatisation of substantial business organisations stimulated by commercial disciplines and competition to be enterprising and efficient. The Government must not be tempted to forego this in the interest of short-term expediency or maximum asset sales for the Treasury.

- Specifically, the Government must not be tempted to sell the electricity supply industry as an integrated whole subject to a British Gas-style regulatory regime. Some regulation of consumer prices will be required but a key feature of the privatisation should be the restructuring of the industry to introduce vigorous competition on the generating side.

- The Government should avoid the temptation to wait for British Coal to return to profit and then sell it as an integrated whole. Coal production is no more a natural monopoly than oil or gas production. There are cogent reasons to privatise the coal industry in parallel with the restructuring and privatisation of the electricity industry; coal still provides 80% of the fuel for electricity generation.

- The Government must avoid being wooed into the belief that the game is not worth the candle as regards the privatisation of British Rail. No Turning Back are right to advocate the creation of a separate infrastructure-owning authority (akin to airports) as the basis for a series of privatisations of the business sectors. Enough progress has been made in recent years to contemplate realistically the prospect of recreating a modern railway industry run on competitive business lines in the private sector.

- In devising a privatisation programme for the Third Term it is not sufficient for the Government to be resolute in rejecting the soft options. The programme must be planned as an integrated whole, in full recognition of the constraints, the possible pitfalls and the limited resources of Parliamentary time.

- The Government needs to be far-sighted. Why not plan the privatisation programme for the Third Term on a ten-year horizon? If, for example, the privatisation of rail is given a lower priority than, say, electricity, water and coal, there are nonetheless important preparatory steps which must be taken in the intervening period. Appointments, particularly of Chairmen, are crucial decisions. The more demanding privatisation targets which lie ahead of us will benefit particularly from the sort of public relations and internal communication skills which Lord King and Colin Marshall have used to transform morale and attitudes within British Airways. With the right leadership, employees and the public can be made to share the vision of an exciting future for privatised businesses.

Questions for No Turning Back

Which privatisations should be given top priority in the Third Term? What should be the primary objectives? What does this imply for the forms of privatisation chosen?

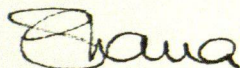



JOHN WYBREW

PRIME MINISTER

You will recall that you are to dine with the No Turning Back Group of MPs on Wednesday next, 25th February.

I understand that you have already seen the Group's paper entitled "Rebuilding Britain - The Next Stage" which contains their proposals for the next election Manifesto. I am placing these before you again (Flag A), so that you can refresh your memory, together with some comments from Geoffrey Howe (Flag B).



 MICHAEL ALISON
20.2.87



ERIC FORTH, M.P.

HOUSE OF COMMONS
LONDON SW1A 0AA

26th January 1987

The Rt. Hon. Margaret Thatcher MP
The Prime Minister
10 Downing Street
London SW1

R28

Dear Prime Minister,

I enclose for your consideration some ideas presented in the form of a 'Manifesto' by the "No Turning Back" group of Members of Parliament, which, you will recall, consists of:

Michael Brown
Christopher Chope
Michael Fallon
Michael Forsyth
Neil Hamilton
Alan Howarth
Gerald Howarth
Robert Jones
Edward Leigh
Peter Lilley
Frances Maude
Michael Portillo
Allan Stewart
Ian Twinn,

and myself.

We have sent this document only to the members of the 'Manifesto Team' in the hope that it will help them in their deliberations, and we suggest that it might form the basis of our discussions over dinner on February 25, when you have kindly agreed to join us.

We would suggest that the principal subjects for consideration could be Health, Education and Regional/Scottish policies.

We hope that the principle of abolition of rent control on new tenancies is now accepted as Party policy, and is not therefore a priority for discussion.

I hope you find the document of interest and use, and look forward very much to our discussions on February 25th.

Yours sincerely,

Eric Forth.