

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 4 MAY

Possible items the Chancellor will raise are:

1. The Markets. As you will see from the evening report enclosed, sterling has fallen back today. Just under \$50 million intervention was carried out in an attempt to encourage the downward trend. In the event it did not have much effect. This was perhaps a questionable move, but I doubt if you would want to challenge the Chancellor on it.
2. Action in hand to tackle a method of giving benefits in kind, which is becoming common in the City. To avoid NICs, a number of City firms have been making payments in gilts to their staff, who then rapidly onsell for cash. I gather the Chancellor has agreed a method to tackle this with Mr. Moore.
3. The position on access to the Tokyo Stock Exchange.
4. Civil Service Pay. As you know, an agreement has now been reached with the NUCPS, representing executive grades, involving a commitment to look at a long term flexible pay arrangement. There were informal discussions with the CPSA, representing the clerical grades, last Friday with a view to a similar deal, but the CPSA representatives backed off; so the position for these grades remains as an offer of 4 per cent.
5. You may also want a word with the Chancellor about Economic Summit preparations.

RCCG.

PAUL GRAY

3 May 1988

SLHAVQ