

CCB/UT.

PRIME MINISTER

DAILY EXPRESS INTERVIEW

Nick Lloyd, Editor of the Daily Express, has not had any substantial new thoughts about the interview with you tomorrow (for an hour from 4.30pm) compared with my note at the weekend (Annex I). He will be accompanied by a photographer (Barry Gomer). COI will record. I will support you. This morning he showed a lively interest in:

- litter
- Gorbachev, his problems and prospects and the Eastern European exodus
- trade deficit - what are you going to do about it; does it matter anyway (see below)
- football hooliganism (in view of one being lost overboard on a Cross Channel ferry)

In short, Mr Lloyd, as a true journalist, will be motivated by news and the latest angle on it. He could well do a news story for Wednesday morning's edition as a trailer for the substantive interview on Thursday. I shall encourage him to do so, depending on the outcome of the interview.

Presentation

The most important thing about this interview is that it is the first since the holidays. Mr Lloyd sees it very much as a vehicle for leading a largely supportive Express readership back into your mind over a very wide range of issues after the break.

For the same reason, it is very important that you demonstrate that you have had a rest yourself; have returned refreshed; are sparkling with ideas; and sparking on all cylinders. This needs to be a bubbly interview.

At the same time, you need to demonstrate all the old toughness, resolve and refusal to meet the bad half way (as distinct from a willingness to compromise with the good).

Issues

The core of the interview will be the economy and controversial policy issues - NHS, community charge, water and electricity privatisation and possibly the environment.

What is important is to demonstrate confidence in:

- the efficiency of the economic measures taken
- the fairness and reasonableness and positive desirability in the interests of ratepayers of the community charge (see Chris Patten's press release on this at Annex II)
- your fundamental conviction that Government should not be in any industrial activity and the consequent importance that water and electricity be privatised in the interests of the consumer and the nation; in my experience one of the most flooring arguments is to tell people there is no doubt in your own mind that water and electricity should be privatised since there is similarly no doubt that Government should not be in business because it is simply not equipped to run industries.

So far as the economy is concerned, Paul Gray has set out the key points:

1. Complete determination to tackle inflation. Battle has to be continually re-fought. Now clear signs that demand is slowing down.
2. High interest rates are the right approach - no simple or easy alternative. Of course borrowers don't like them. But letting inflation get out of control would be far worse. And high interest rates are popular with savers.
3. Interest rates may need to stay high for quite a time. But not prepared to make forecasts. Key point is that they will be kept high for as long as they are needed - can always rely on this Government to take the right action, even if it causes short-term unpopularity.
4. Balance of trade deficit reflects same underlying problem of too high a level of demand. Over time higher interest rates will correct this, too. But meantime don't pay too much attention to individual monthly figures - bound to be erratic, and in any event considerable uncertainty over precise figures given difficulties of measurement.

For the rest, I think you need very much to get over the message that your 10 years in Government have been marked by resistance in one form or another to what you were trying to do; but that resistance has crumbled once either Parliament had agreed reforms or changes had been found to be beneficial. So it has been with eg local government, council house sales, privatisation - and so it will be again with the NHS, education, community charge, water and electricity and the environment.

On the environment I think you should take credit for the initiatives you have taken and visits you have made during the Recess - RSPB, Ely Cathedral, Polar Institute - but at the same time start to focus people's attention very much on what they can do to protect it eg:

- use of CFCs
- graffiti
- litter on which you should issue some very strong words indeed - a call to arms because this is an individual's responsibility; and record what the Government is intending to do (see Caroline Slocock's note at Annex III).

Political

Here the main points will be:

- reshuffle and new team
- will you serve a fourth term?
- televising the Commons
- President Bush and the special relationship

All my instincts are to say as little as possible about the reshuffle except that you believe that you now have substantially the team to win the next election; that you most certainly intend to do just that; and to lead the country well into the '90s.

So far as televising the Commons is concerned I think you should say:

The public will judge a Government, as they have done for the last 10 years, not by gimmicks; not by the latest headline; not by ups and downs in its fortune; and not even by how it comes over on television.

Nor will they judge it by particular exchanges in a televised Commons.

What matters is what the Government stands for; what it is trying to do; and how well it is succeeding in doing it.

No wonder the Labour Party is apparently excited these days about Commons TV: this is no doubt to compensate for its impending problems over policy which is full of nonsenses, contradictions and facing both ways.

The clear and comprehensible explanation of policy is important but you have first to have the policies to explain. That is Labour's problem; the Conservatives' advantage.

Content?



BERNARD INGHAM
September 4, 1989

PRIME MINISTER ²

DAILY EXPRESS INTERVIEW

You are to give Nick Lloyd, Editor, Daily Express, an interview on Tuesday afternoon.

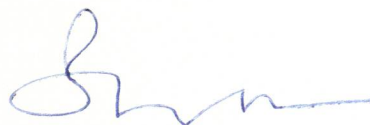
I will give you a brief for your box on Monday evening but it is clear at this stage Mr Lloyd has this format in mind:

- Economy: here he will clearly pursue the policy of high interest rates and the prospect of better times.
- Community charge; NHS; water and electricity privatisation: policies which however justifiable remain unpopular either through misrepresentation or lack of understanding and the effects of which will take time to come through.
- Environment, including water quality, transport and litter.
- The reshuffle and your new team
- President Bush - is there still a special relationship?
- Europe - your assessment, especially, after the Mitterrand meeting.
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- Your personal energy and vitality
- Will you serve a fourth term?

This is an opportunity to represent your policies to a receptive Express audience.

And the more I think about it, the more it seems clear that what you need to get over is that you have progressively tackled the problems needed to get Britain up and running. In doing so you have had to overcome not merely vested interests but inertia, a feeling that nothing could be done, complaints (notably of the FT kind) that particular reforms (eg abolition of the GLC) were not worth the effort; and even incredulity - eg some aspects of privatisation. But time after time reforms have been carried through and improved things. So they will again in local government, education, NHS, the environment and industry. What matters is resolve to see it through; that is undiminished.

You might also make the point about inflation that every year - and many times a year - since you came to office you have made the point that inflation has to be continually fought - sometimes with tougher measures than others. Again what matters is resolve; and again that is undiminished. What is more the medicine is working.



BERNARD INGHAM

September 1, 1989



ANNEX II

Press & Public Relations
Department.

Phone: 01-222-9000
01-222-0151/4

Conservative Central
Office.
32 Smith Square,
London SW1P 3HH

The Rt Hon Christopher Patten, MP
(Bath)
(Secretary of State for the Environment)

Release Time:

Immed. Thursday
17 August 1989 116/89

RATES REFORM

Attached is a copy of a letter from the Rt Hon Christopher Patten MP,
Secretary of State for the Environment to Irvine Patnick, MP, Chairman
of the Conservative National Local Government Advisory Committee.



HOUSE OF COMMONS
LONDON SW1A 0AA

17 August 1989

J. Patten,

RATES REFORM

Rates reform has been the subject of anguished debate for more years than I can remember. In every election in which I have been involved people have complained bitterly about the injustices of domestic rates. The only difference between this Government and others is not just that we have recognised these injustices but that we are determined to put an end to them.

Imagine starting with a blank sheet and devising a system of paying for local government. Would it really be fair to insist that a house full of wage earners should pay the same as a single pensioner living next door? Would it be fair to have a system of Government grants which meant that one local authority was forced to charge much more than another for the same level of service? Would it be reasonable to allow a local firm's competitiveness to be undermined by allowing a spendthrift Labour local council to pass on its extravagance to companies in the area?

The truth is that no one would dream today of inventing the rates. The only mystery is how on earth this relic of Elizabethan times has survived for so long. And of course if we had not acted, a rates revaluation of all domestic properties would have been needed. Rateable values have not been updated since 1973. It would be totally unacceptable to continue with them any longer. Yet Scotland in 1985 showed just what chaos and upheaval would be caused by a revaluation. This would be bad enough in itself. But it would be unthinkable to go through this agony merely to prop up a rotten and discredited rating system. That's why no major political party in this country now advocates keeping things as they are.

The existing rating system is so unfair that it would be very hard to come up with anything worse. But give the Labour Party their due; they have risen magnificently to the challenge. Instead of one unpopular tax - the rates - they have invented two new ones.

They propose both capital value rates and local income tax. Individually they are bad: together they represent the worst of all possible worlds. Nothing illustrates better how far the Labour Party stands from being ready for office than its two tax policy for local government.

Take capital value rates first. Rates based on house prices represent a tax on home ownership - which tenants have to pay as well. Why on earth should a council tenant pay a higher local tax when the value of his council home goes up? After all he has no stake in it. Is it reasonable to soak a pensioner couple with huge increases in local bills merely because the area in which they live is being gentrified?

Or consider the effects of a local income tax. Hands up those who want Graham Stringer to be Manchester's Chancellor of the Exchequer? Or Joan Twelves to be Lambeth's? Any form of income tax is an extremely buoyant form of revenue. A local income tax - with no powers of capping whatever - would be a new and terrifying power in the hands of the Hard Left. They would not be slow to use it.

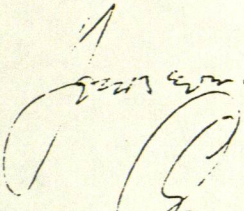
But the final folly would be to couple this monstrosity of a local double tax system with Labour's proposals to abandon controls on council spending. That would be the green light for Socialist municipal extravagance - and the new system would inflict devastating consequences on those required to pay for that spending. No wonder Mr Kinnock believes the policy needs - in his words - "sophisticating". Some hope. All the perfumes of Arabia will not sweeten the smell of Labour's local government policy. Perhaps Mr Kinnock knows (a triumph, if ever there was one, of hope over experience) that to "sophisticate" means "to distort".

By contrast the community charge removes the injustices of the rating system. In its place a new simpler, fairer and more intelligible system will be introduced. At its centrepiece is the idea - revolutionary, apparently, to some - that everyone should pay their bit towards the cost of local government. Those who can't afford to will get help to pay their bit. And the very poorest - on income support - will receive a top up in their benefit to make sure they can pay. The rich will pay far more than the poor - as they should. But everyone will have some understanding of the costs as well as the benefits of local government.

The other key feature is that everyone will be able to judge how efficiently their council is performing. Every council in the country will be given sufficient grant to enable it to charge the

same community charge for a standard level of service. This ready reckoner will appear on everyone's bill alongside what they are actually asked to pay. So there will be no hiding place in the complexities of the system for profligate local authorities. Community Charge payers will, for the first time, have the information required to call extravagant councils to account. Local councils should be made to answer to their communities at election time. In future they will.

The community charge is better than any alternative to the rates. While help will be provided for the needy, everyone will pay their way. If Labour are really concerned about the pockets of local voters they should encourage their councillors to make the going as easy as possible for charge payers. But their plans for a property tax, a local income tax and higher local spending, show that raiding the people's pockets comes at the top of their list.



CHRIS PATTEN

Irvine Patnick Esq MP

²
PRIME MINISTER

cc Mr Ingham

LITTER

I attach a note from Bernard about litter which sets out some radical solutions for tackling the problem. The recently published consultation document on Litter does cover some of these points. As you will recall, it proposes that in addition to the obligation placed on local authorities to clean up litter:

- a similar duty should be placed on the operators of main railways, underground and other transport and operators of canals, ports and airports; and that this should apply to all their land to which the public have access;

- that the Secretary of State or local authorities should be able to extend the duty to owners of certain categories of land where there may be a significant litter problem - eg to railway embankments, canal banks, the forecourts of commercial premises, shopping precincts, shop-frontages;

- that fast food shops should be obliged to clear up any litter from their premises within 30 metres of the premises;

- that the local authority might be given the power to "spot fine" those who litter;

- that individuals could take out a "litter abatement notice" against all those bodies (not just local authorities) which have such a duty placed on them.

CAS

Caroline Slocock

1 September 1989

PRIME MINISTER

Paul
would you like to give PM
any briefing on economy
the only new theme I have got
from him this AM is - what is
to do about the deficit what are we going
to do about it and since the
balancing act is so large
does it matter?
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MR

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BERNARD INGHAM
September 1, 1989