

Bow Group



10 DOWNING STREET

THE PRIME MINISTER

8th October 1984

Dear Mr. Ligers.

Thank you for your open letter.

In your letter, you accuse the Government of being cautious and defensive and having run out of steam. In particular you cite our policy of privatisation.

But it is precisely in the area of privatisation, no less than elsewhere, that we are pressing on full steam ahead. In five years we have already transferred from state ownership to free enterprise: British Aerospace, Cable & Wireless, National Freight Consortium, Amersham International, Britoil, Associated British Ports, International Aeradio, some British Rail subsidiaries and certain NEB holdings including Ferranti and Fairey's. This represents the transfer of around 150,000 jobs to the private sector. On top of that, in only a year of this Parliament, Enterprise Oil, Wytch Farm, INMOS, Sealink and Jaguar have been transferred to the private sector and in this session of Parliament we have also passed the Bill providing for the greatest ever act of de-nationalisation: that of British Telecom. This will take place shortly, to be followed closely by the de-nationalisation of British Airways.

To dismiss all of this, including the privatisation of BT, as "cautious" and "defensive" is crackers.

And I can assure you that the Government are pressing full steam ahead, not just on privatisation, but on keeping inflation down, controlling Government spending and taxation, training for our young people, encouraging enterprise, improving health and welfare provision,

providing a pleasanter and safer environment in the town and the countryside, wider ownership of homes, giving people a stake in the companies for which they work and reforming local government to make it more efficient and more accountable to the voters and rate-payers.

When the Conservative Conference meets **this** week, we will be able to proclaim with pride what we have achieved, and what we are working for.

Like you, I am making public the contents of this letter.

Yours sincerely
Margaret Thatcher

Michael Lingens Esq

Taking the long view

An open letter from the Chairman of the Bow Group to the Prime Minister

Dear Prime Minister,

A second term of unchallenged government gives the Conservative Party a unique opportunity to shape the lives of a generation. It gives time to consider and implement a strategy of reform which meets the needs of the British people in the late 1980s.

One year into the Government's second term of office, a dismal picture of missed opportunities emerges. Key policies have run out of steam and political enthusiasm, even among Government supporters, has diminished. It is mainly the resistance to Scargill's mob which carries widespread support as the Party Conference begins.

For the most part the Government's approach has been cautious and defensive; its programme is treated by Ministers as the Maginot Line beyond which they fear to tread. The Government's aims need constant expansion and rejuvenation to meet the challenges now facing Britain. The Party Conference is the opportunity for this process to begin.

In political terms the fandango over local government reform is trivial by comparison with the failure of our commitments to reduce public expenditure and make tax cuts. Compared with the party's 1979 manifesto promises the Government's present approach can only be described as a cop-out.

The country was told of the virtuous circle: less tax = more productive activity = growth. Now we are to wait for growth. The Government has played into the hands of its political opponents, caught between the expectations aroused by its earlier rhetoric and the inability to admit the U-turn. The whole point of the Government's strategy was to increase personal spending power and generate growth by cutting down the size of government. But too many policy areas were put out of bounds in the meantime which suggests that the Government only ever pursued an ill-defined objective and a vague strategy to reach that objective.

Another area of missed opportunity is the Government's privatisation programme. What is the point of returning profitable public industries to the private sector? To reduce the PSBR? Of course. To make them competitive and allow them to fund expansion plans through private finance? Of course. But the real point of privatisation should be this: to show people that we are serious about the Tory vision of a property-owning democracy. Ownership of former public industries should be in the hands of increasing numbers of the public, particularly each company's own employees. Securing the political benefits of wider share ownership by the people is the political prize. A vital political opportunity is lost if the Government allows the debate to centre on the PSBR, finance and the virtues of the tender offer. Even our perception of the British Telecom advertising campaign is tainted by the thought that it springs from the fear that the City cannot handle the flotation. As a result, the property owning democracy appears to have been shunted into the siding of council house sales.

What is required is that the Government should reaffirm decisively its political objectives, give new impetus to existing policies and develop fresh policies to be presented as attractive applications of our political strategy.

The Bow Group has identified three policy areas which could begin the process of rejuvenation: share ownership, the environment and welfare.

Share Ownership

As with their homes, people should be able to own at least a part of the company they work for. On a broader level, people should be able to own at least part of the productive capacity of Britain. Ownership identifies the owner with that which he owns. In pursuing this objective, the Government should:

- sweep aside fiscal restrictions on employee share ownership and marketability;

- give tax breaks for small-income shareholders;
- use the privatisation programme as a means of extending wider share ownership.

The private sector trades unions have an important part to play in this process. Collective bargaining could become a method of distributing ownership as well as income. It is an agenda for a Tory Government to deal constructively with at least part of the trades union movement.

Environment

The importance of environmental protection as an issue in electoral policies increases daily, yet the Government's approach is at best uncertain. Conservatives emphasise the value of continuity and this concept should extend easily to the protection of our environment. The Government should rethink its attitude and consider the following proposals:

- initiate a radical overhaul of the Wildlife and Countryside Act;
- encourage large-scale disposals of land hoarded by local authorities and public utilities in urban areas to relieve pressure on the 'Green Belt';
- implement a new Clean Air Act to fight air pollution and acid rain.

Welfare

Our present system of personal tax and social security is a mess. It is complicated, unfair and takes armies of civil servants to administer.

Later this week Bow Group authors will call for the early implementation of an integrated tax benefit system, based on a specially-developed computer model, which achieves the following objectives:

- the elimination of poverty;
- an end of the unemployment and poverty traps;
- simplicity and fairness;
- significant reductions in public expenditure and manpower.

Welfare is one major area of policy on which the Conservatives are perceived to be weak by comparison with other political parties. The tax/benefits system proposed by the Bow Group could provide an instrument for winning on welfare.

Significantly, none of the policies examined by the Bow Group publications are issues on which Labour has much to say.

The Alliance, however, has stolen a march on the Conservative Party by identifying with these key policy areas. It is ironic that a Tory Government:

- which claims to be radical, merely tinkers with the Welfare State;
- which represents a party linked to the countryside, dithers about policies for the environment;
- which proclaims the property-owning democracy merely extends the concept to bricks and mortar.

During the next three years, real political debate in Britain will be conducted increasingly between the Conservative Party and the Alliance. There are no concessions which the Government can make to the Labour-Left and Scargill's bully-boys.

To prevent the election of a Labour Government by default, the Conservative Party must win back those who, attracted by the Alliance, could deprive the Conservative Party of a majority at the next election. The policies identified by the Bow Group take the battle of ideas to the heart of what constitutes the electoral appeal of the Alliance. They are issues which will come to represent landmarks of a new political common ground. The Government and the Conservative Party should stand ready to occupy that ground.

Michael Lings

Prime Minister

As rightly answered

The Bow Group have written you an open letter which I have already received although it is post-dated Monday, 8th October.

I attach a reply for you to sign. We need it signed before the weekend because I want to release it at the same time as the Bow Group releases their letter. I have talked to John Wakeham and to Bernard Ingham about this who both agree that this is the right way to proceed.

I have deliberately not answered every point in the letter. What is needed is a short robust reply and I have homed in on privatisation as they are foolish enough to cite it as the main example of their general charge that the Government is cautious. As they have accused the Government of running out of steam, I have deliberately twice used the phrase, "full steam ahead".

I have also borrowed Lord Hailsham's phrase "stark raving bonkers" which Bernard, Michael Alison and I believe is both an accurate description as well as being just what the copy-writers will be looking for. Better to be punchy than insipid.

Stephen

STEPHEN SHERBOURNE

4.10.84



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But it is precisely in the area of privatisation, no less than elsewhere, that we are pressing on full steam ahead. In five years we have already transferred from state ownership to free enterprise: British Aerospace, Cable & Wireless, National Freight Consortium, Amersham International, Britoil, Associated British Ports, International Aeradio, some British Rail subsidiaries and certain NEB holdings including Ferranti and Fairey's. This represents the transfer of around 150,000 jobs to the private sector. On top of that, in only a year of this Parliament, Enterprise Oil, Wytch Farm, Sealink and Jaguar have been transferred to the private sector and in this session of Parliament we have also passed the Bill providing for the greatest ever act of de-nationalisation: that of British Telecom. This will take place shortly, *to be followed closely by the denationalisation of BA.*

To dismiss all of this, including the privatisation of BT, as "cautious" and "defensive" is ~~to borrow a phrase once used by the present Lord Chancellor~~ "stark raving bonkers" *crackers.*

And I can assure you that the Government are pressing full steam ahead, not just on privatisation, ~~but on~~ *but* ~~economic recovery~~, on keeping inflation down, ~~on~~ controlling Government spending and taxation, ~~on~~ training for our young people, ~~on~~ encouraging enterprise, ~~on~~ *improvements in* health and welfare provision,

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reform

When the Conservative Conference meets this week, we will be able to proclaim with pride what we have achieved, and what we are working for.

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Michael Lingens Esq