

NOTE FOR THE RECORD

JH
see last 2 points
our note was obviously read.
Good!
RD.

cc. Mr. Walters
Mr. Hoskyns
Mr. Vereker

The Prime Minister had a meeting with the Chancellor at 1730 this evening. They discussed the following points:

(i) Appointments to the Treasury Select Committee

The Chancellor explained that Alan Budd and Harold Rose had resigned from their posts as advisers. The Committee had made some new appointments, and now nearly all the advisers were anti-Government. He would consider further how the sympathetic members of the Committee might be persuaded to have a more balanced team of advisers.

(ii) The Chancellor drew the Prime Minister's attention to the British Council of Churches' leaflet calling for a fast to oppose public expenditure cuts. He did not think Treasury Ministers could head this off; but someone must get the facts out. The Prime Minister said that Mr. Pym should be asked to do this.

(iii) Petrol Tax

The Chancellor said that he was making contingency plans against the possibility that the petrol tax would be defeated in Committee. But there were no obvious alternatives. The idea of increasing VED was unlikely to attract any more support than the existing petrol proposal. As a *douceur*, the Treasury were looking at competition amongst the petrol companies, and also the question of whether they might be discriminating against consumers in Scotland. The Prime Minister said that, whatever happened, the Treasury must claw back any lost revenue.

(iv) Civil Service Pay

The Chancellor said he was considering suspending 9,000 or so Inland Revenue personnel if they refused to undertake

work which would be thrown up by the stoppage of computers. The Government were now losing revenue at a rate of £425 million per month, and he judged that it might very soon be the right time to put pressure on the unions. Suspension of 9,000 would cost the union about £½ million per week. If they were to strike, it would cost them rather more. He proposed to raise this in Cabinet tomorrow and the Prime Minister agreed.

(v) Water Manuals

The Chancellor reported that Mr. Prior had suggested that, in the wake of the water settlement, now might be the right time to consider the closed shop in the industry. Should he pursue Mr. Prior on this question? The Prime Minister said that on the whole it would be wiser not to for the moment.

(vi) Control of Nationalised Industries

X W The Chancellor referred to Robert Armstrong's recent minute, and suggested that the Treasury should be involved in the work which it proposed the CPRS should undertake. The Prime Minister said she had no objection to the Treasury being involved, but she wanted it to be quite clear that the CPRS would be in the lead. (This matter will be discussed at a meeting with the Ministers mainly concerned with the nationalised industries.)

(vii) Privatisation

Y W The Chancellor referred to his minute of 10 March. The Prime Minister agreed with his suggestion that he should take over once again the Chairmanship of E(DL). (Afterwards, I told the Chancellor that I would need to pursue this with Robert Armstrong.) The Prime Minister also agreed that it would be sensible to hold a seminar for Ministers, officials, and one or two carefully chosen outsiders. She thought that David Young and Sir William Barlow would make a good contribution.