



"There is an alternative way," Mr Heath declares. Mrs Thatcher, Sir Geoffrey Howe and Mr Parkinson are unconvinced. Photograph by Peter Trievnor.

Impassioned plea by Heath gets short shrift from Tories

From Julian Haviland, Political Editor, Blackpool

Time running out, says director



□ Britain's directors have given their wholehearted support to the Government's economic policies. But in a letter to Mrs Thatcher, Mr Walter Goldsmith, director general of the Institute of Directors (above), gave warning that time was running out.

□ The Government is considering a plan to allow British Telecom employees to invest in the nationalized corporation, Mr Patrick Jenkin, Secretary of State for Industry, told the Conservative Party conference in Blackpool.

□ Midland Bank and National Westminster brought their base lending rates down from 16 to 15½ per cent in line with Barclays and Lloyds.

□ Pay rises are getting smaller, according to Department of Employment figures. The underlying rise in average earnings fell to 11 per cent in the year to August, compared with a peak rate of 22 per cent this time last year.

□ Sterling's nervousness pushed the FT Index down 12.2 points to 472.4. The Dow Jones industrial average dropped 14.93 to 850.65.

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split the country and the party from top to bottom, and there would not be a hope in hell of getting it through the Commons.

Mr Heath's speech to the conference was the bigger challenge though. So bitter have his recent speeches sounded in the ears of the faithful, that there were fears of his being shouted

down. But as he reached the rostrum, the cheering almost drowned the booing.

He relieved the remaining tension with a joke: "Please don't applaud, it may irritate your neighbour". And he disarmed many opponents by saying at once that both Mrs Thatcher and he wanted party unity. But it could not be imposed on a single doctrine; it must accommodate all the various views in the party.

Sir Geoffrey had his own difficulties when there was a bomb scare during his speech. But he was his competent, reasonable self. Willing enough to debate his economic policies, which his critics have been urging him to do, but not willing to change them.

A Chancellor does not just do the sums, he said. He too realized that unemployment was the most grievous social evil in the country. But its causes had built up for many years. It did not all start in 1979.

But then came the firm defence. "We must not delude ourselves that the fight against unemployment and inflation are two different things. They are two sides of the same coin. In our campaign for more jobs, the major battle must be against inflation."

He effectively used against his critics words written by Mr Heath in the manifesto on which the Conservatives, under his leadership, had fought the election of 1970. "Once a policy is established, the Prime Minister and his colleagues should have the courage to stick with it."

Sir Geoffrey was rewarded with a standing ovation in which Mr Heath had no choice but to join.

Government move to abolish rates

□ The Government may attempt to abolish the rating system before the next general election, Mr Tom King, Minister for Local Government and Environmental Services, said after a debate at the conference.

The Government is to issue a consultation document within the next fortnight setting out alternatives to the present systems. It is expected to include revenue-raising powers, such as local income and sales taxes.

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An impassioned plea by the former Prime Minister, Mr Edward Heath, for a change of course by the Government was rejected uncompromisingly yesterday by Sir Geoffrey Howe, Chancellor of the Exchequer, who had the clear approval of the Conservative Party Conference when he said: "The one thing that would set us back would be to lose our nerve."

In a tense debate in Blackpool's crowded Winter Gardens, speaker after speaker urged the Government on and denounced Mr Heath's demand for reflation as "the failed policies of yesterday's man".

But although he came in for some heckling and abuse from fiercely loyal party representatives, he was given a fair hearing—in spite of the severity of his criticisms. Although they gave their voices to Mrs Margaret Thatcher, the Prime Minister, it was clear that many of them shared Mr Heath's anxiety when he told them that this was their party's most critical point for 60 or 70 years—more critical than Munich or Suez.

He startled some by appearing to raise doubts about Mrs Thatcher's position as leader when he added also that things were "more critical than the leadership crisis of 1963-4".

As before, much of the argument about the Government's future went on outside the main conference hall. Sir Ian Gilmour, dismissed from the Cabinet last month, argued for a reflationary package costing £5 billion gross in a full year, of which £3.5 billion would come from abolishing the National Insurance surcharge.

Monetarism, Sir Ian suggested, was the uncontrollable in pursuit of the indefinable. If they stuck with the present financial strategy, the Government would dig the recession even deeper "and we could say goodbye to the British economy".

At another fringe meeting, Mr Heath, with sudden fierceness, forecast a revolt by Conservative MPs if Sir Keith Joseph, Secretary of State for Education, should ever try to bring in the voucher system to widen parents' choice of schools. (Sir Keith said earlier this week that the voucher idea attracted him but had very great difficulties).

If Sir Keith "put education on the market economy", Mr Heath said angrily, he would