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NOTE FOR THE RECORD

123rd Meeting

Chancellor's Morning Meeting, 9 December 1980

Present: Chancellor
 Chief Secretary
 Financial Secretary
 Minister of State (C)
 Minister of State (L)
 Mr Newton
 Mr Ridley
 Mr Cropper
 Mr Cardona

*dealt with verbally SC
 WJ. Can you ask SC
 when he will report
 me on 85?*

British Aerospace

1. The Financial Secretary would later be seeing BAe's merchant bank advisers together with Mr Butler, and Mr Butler's E(DL) paper was still to come. In the meanwhile there was a brief discussion of the latest assessment of the financial aspects of privatisation. It was thought that even if BAe would seek further finance from Government whatever its status, there would be a slightly greater chance of resisting such demands when BAe was 50% private.

2. The Chancellor said the issue should be taken from E(DL) to E as soon as possible.

Defence cash limits

3. It was agreed there was probably nothing to be gained by making a specific protest about Mr Pym's Question-Time comments the previous week on the inappropriateness of cash limits for defence. The Chancellor would however raise the issue with the Prime Minister at some point.

Excise duties

4. Mr Bruce-Gardyne was raising the point that duty on alcohol was depressing demand and hence revenue. On the other hand the price of

alcoholic drinks ex-duty was probably rising; and incomes were falling. So a fall-off in sales was only to be expected. The Chancellor asked for an assessment of the facts about yield levels and the validity of the arguments about the depressing influence of duty levels, for both alcohol and confectionery, where the VAT increase allegedly ~~was~~ having the same effect.

Telecommunications

5. The Chancellor wondered whether the current legislation was sufficiently radical. The Chancellor asked Mr Cardona to look at the issue.

Mortgage interest relief study

6. It was agreed that the fact of the study should be announced soon. Great care should be taken to show that the study was of the method of payment rather than the scale or future of the relief. Ministers wished to see the text of the announcement.

Next Budget

7. The Chancellor expressed anxiety about the extent to which tax increases were being trailed, even though what would need to be done in the Budget was not yet known. He intended shortly to re-affirm the doctrine of Budget secrecy. At this stage it was important not to create expectations of what a "prudent" PSBR would be like. The Chancellor asked for a speedy preliminary appraisal of the prospects, priorities and constraints for discussion in the near future.

8. The Chancellor would be circulating a letter from a Mr Michael Latham exemplifying the urgent need for FASE and other measures to keep up entrepreneurial morale.



GEORGE CARDONA
9 December 1980

Distribution:	Chancellor	Minister of State (L)	Mr Ryrie
	Chief Secretary	Sir D Wass	Mr Burns
	Financial Secretary	Sir K Couzens	Sir L Airey
	Minister of State (C)	Sir A Rawlinson	Sir D Lovelock
			Mr Ridley
			Mr Cropper