PERSONAL AND CONFIDENTIAL



FROM: CHIEF SECRETARY DATE: 11 JULY 1989

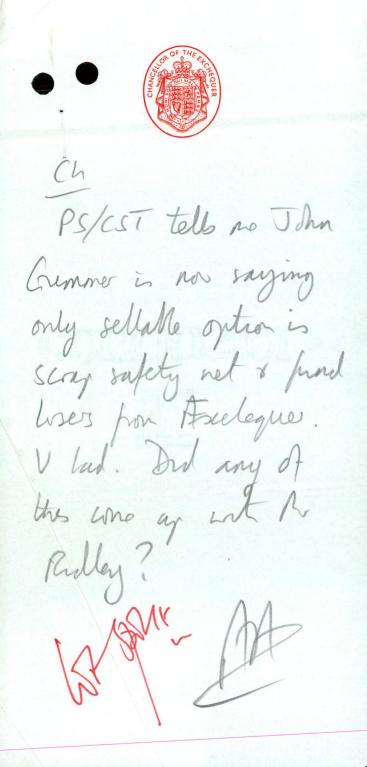
CHANCELLOR

SAFETY NET

After E(LF) I chatted to John Gummer and now understand what is happening in the DOE. John's view is engagingly simple. He believes that the present package on AEF is unsustainable with colleagues and will be defeated either in uproar now or in the Autumn. He believes that the only way to sell it is to fund losses from the Exchequer at a cost of £950 million in the first year. Anything less would be unsaleable.

- I also learned this morning in a passing conversation with the Chief Whip that DOE are now considering making the grant settlement announcement in the last week before the House rises for the Recess.
- 3 It seems clear to me that DOE ministers are not at all agreed on the policy and are genuinely nervous about how it will be received in the House and beyond.
- 4 I have not copied this note as it was a private conversation which I would not want quoted back at the DOE.

How with the state of the state





FROM: A C S ALLAN DATE: 12 July 1989

PS/CHIEF SECRETARY

[born authorities]

SAFETY NET

The Chancellor was grateful for the Chief Secretary's minute of 11 July. Mr Ridley has confirmed to the Chancellor that he wants to make the announcement in the final week before the Recess probably on the Wednesday. But he is not seeking to reopen what has been agreed.

A C S ALLAN