Letter from Westminster

Effects of restraints

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The Cabinet has now completed its preliminary survey of the public spending battlefield. The next stage will be the series of bilateral skirmishes between the individual spending departments and Mr Peter Rees, Chief Secretary to the Treasury, after which there will appear a public expenditure white paper. These encounters take up most of the autumn, and at present just how much Mr Nigel Lawson, Chancellor of the Exchequer, is seeking in the way of spending cuts is a matter for speculation. But the Prime Minister was not denying the suggestion last week in the Commons that he was giving Mr Rees the job of securing cuts of the order of £5000m. One thing is certain. It is going to be a tough battle for Mr Rees since many of Mr Lawson's Cabinet colleagues believe that they were "bounced" over his inaugural £1000m package of cuts. It is still far from clear whether these were necessary, and even if the justification is that the city expected something there is some doubt about that since the city did not react with any great pleasure to what he did.

Restraint is, however, still the order of the day. One likely victim is the Acheson report. A decision has been pending for a long time, and the signs are that it will go on pending for a long time to come. The savings that Mr Norman Fowler, Social Services Secretary, agreed to make to compensate for the alleged overspending on social services and by the family practitioner services include a £12m cut in central services, and the £3m required to implement Acheson was to have come from there. But it does not seem that there will be any announcement that Acheson is dead—rather it will be allowed to linger on as something that is still pending. And who knows, perhaps this autumn's demands will not turn out to be as savage as is feared. Perhaps Mr Fowler and Mr Kenneth Clarke, the Health Minister, will emerge at the end of the day with more than they expected, and then something can be done.

Meanwhile, talks with the Association of British Pharmaceutical Industry about the future of the pharmaceutical price regulations scheme continue, and it is just possible that before the summer doldrums descend ministers will have something to announce. For the moment, however, they have the agreement of the industry to those £25m cuts in the National Health Service drug bill. Not that Mrs Gwyneth Dunwoody, Labour's health spokesman, thinks very much of those, even if for the moment she is somewhat preoccupied with her bid to become Labour's deputy leader. Whether Mrs Dunwoody will remain health spokesman after the shadow cabinet elections and once the new leader is elected is a matter for conjecture. But for the moment she is in the job and making, as is her wont, a fuss. Her response to the deal with the ABPI was to look the gift horse in the mouth and pronounce it spavined. It was the claim that a sacrifice was being made that most upset her. She defined a sacrifice as a gift so large that it would have been against the industry's interests to give it—in other words, something of the order of several hundred million pounds for the NHS. But the agreed £25m was, in her view, so low that it would not even recover the £31.5m already owed to the NHS by the industry in unfair profits. The sacrifice was "merely an agreement to rip off the NHS by £6.5m instead of £31.5m."

The nice thing about Mrs Dunwoody is that she does not mince her words, and after accusing the industry of behaving like leeches towards the NHS she warned that the next Labour government would have no option but to take these pricing decisions out of its hands so that the NHS could afford to provide the health care that was so desperately needed. The industry was in no doubt that she was wrong and has some grounds for calculating that the day she is talking about is rather a long way off.

It fell back on the claim that the £25m was an exceptional measure, and on an insistence that successive governments had recognised through the mechanism of the pharmaceutical price regulations scheme the need for a profitable research based and export oriented industry. "Repressive measures such as these can only harm investment confidence resulting in reduced research activity and eroding the export surplus," the industry added. Well, perhaps, but I suspect that the politicians' reply to all that is—"Pull the other one." There is a lot that can be done to curb the drug companies' profits without going so far as driving them from these shores, always a risk with multinationals. Equally, there is a lot that doctors themselves can do to curb excessive spending on drugs by improving their prescribing. Ministers will certainly be taking a close look at the matter.

Changes on the health front

These weeks since the House returned after the election have been passed in a kind of limbo. Real politics have not yet resumed and cannot do so until Labour has a new leader and the new Tory members have formed themselves into a coherent body as well as learning the ropes. It is going to be Christmas before the "flavour" of the new parliament is clear. One of the funny things about elections for those of us who work at Westminster is that you get totally fixed on the overall picture and on what the party leaders are doing. Just who the lesser casualties of the result are only becomes clear as the days pass and the new House starts to vote and maiden speeches are made for seats that you had not noticed had changed hands. It would be untrue to say that I had not noticed that Mr Mike Thomas, the Social Democrat's health spokesman, was one victim, but somehow so much has been going on that I have not remarked on the fact. He was in the Dunwoody mould. The new SDP health spokesman is Mr Charles Kennedy, MP for Ross, Cromarty and Skye, who at 23 is the "baby" of the House. But the Alliance is working more in a team with the Liberals now, and Mr Kennedy will be sharing his duties with another Scottish MP, Mr Archy Kirkwood, who sits for Roxburgh and Berwickshire. Mr Kirkwood is a former aide to Mr David Steel, the Liberal leader, and knows his way round Westminster, so the new Alliance health team, while young enough, is not without experience in the ways of the House.

By the time we return after the summer break it could, therefore, turn out to be the case that the Opposition spokesmen on health matters are all new. But we shall see. By then it ought also to be clear whether Mr Fowler has won time for his Bill to resolve the position over family practitioner committees. For the moment, however, the House, with an audible sigh of relief, is packing up for the holidays.