



Politics Informed

what we see is what others miss

A year of parliamentary promise

MPs and peers returned to Westminster last week after a busy conference season. At each gathering of the party faithful, the main focus seemed to be on the future leadership of each party. When will Tony Blair step down as prime minister and will Gordon Brown make a good job of replacing him? Who will the new Tory leader be and will they survive past Christmas? Finally, we all ask ourselves, exactly who is leading the Liberal Democrats these days?

As Katie Wyglendacz reports, regardless of the lack of a clear leader at the helm of our major political parties, parliamentary business must continue.

Mounting bills

The government will begin with vigour to push through the larger than normal number of bills introduced in the Queen's Speech. Many of these bills are already making their way through the parliamentary process including the ID Cards Bill and other less controversial examples, including the Charities Bill. Others are yet to be introduced, including the Compensation Bill, the Corporate Manslaughter Bill and the Health Improvement and Protection Bill, which is likely to see a ban on smoking in public places.

Looking carefully at the high profile policies being put forward by the government at the moment, it could be argued that they are

pursuing a press-driven and reactionary agenda. Examples include a new tough public stance on those they think are a threat to national security in the wake of the July 7 bombings. Anti-terrorism issues are reviewed by Ben Ruffels on page 4.

Food for thought

Tony Blair himself has made a personal commitment to get rid of "job culture" in our society after a spate of highly publicised unprovoked and tragic attacks in local communities. And our children are now being fed school food that is made out of "real" meat and quality vegetables, with concerned parents wondering what an earth they have been eating in the meantime! Ruth Kelly's current vendetta against all unhealthy food in schools from vending machines to burgers in the canteen was inspired by a campaign led by no less than a cockney celebrity chef!

Brown asks the people

So with a perceived lack of self-driven direction for government policy, the main focus of British politics over the next twelve months will very much be on Gordon Brown and where he is heading. The chancellor is planning a grand tour of the country to find out what "the people" expect and need from his vision of the Labour Party, labelled "New Labour

continued overleaf

Autumn issues

The return of MPs and peers to Parliament this year has been marked by the start of the election of a new leader for the Conservative party and a push of legislation from the government.

The government's legislative programme is outlined on this page, with a focus on self invested personal pensions on page 2 and terrorism legislation on page 4. Katie Wyglendacz charts the course so far of the Tory leadership campaign on page 3, analysing how the two final candidates came to be shortlisted.

On page 5 Andrew Dunlop examines the economy and the priorities bearing on the chancellor's forthcoming pre-budget report. Possible long-term changes to the structure of local government finance are examined by David Massingham on page 6.

Stephen Edwards assesses the political fallout from the recent close-run German elections and ponders on its impact on Europe.

Finally, on the back page, David Massingham presents a personal account of his tour around the annual political party conferences.

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They know that the only issue that really matters to the people is the economy

Continued from the front page

Renewed". Eyes will be on his future social policy, but it is his economic policy that most people, particularly the opposition parties, are watching. Manufacturing output is declining, high street spending is slowing, pension funds are depleted, and no one is quite sure what is happening with the property market. Moreover, the Comprehensive Spending Review has been postponed by a year to allow forecasts to catch up with the economic cycle.

Two further significant set piece events in the form of the pre-budget and budget statements will give indications of the state of the economy and, depending on the results, may give ammunition to the opposition parties. They know that the only issue that really matters to the people is the economy, so if the chancellor's efforts begin to unravel over the next twelve months, as the opposition hopes, they may have a significant chance at the next general election.

Local public opinion

Some indication of public opinion will come in the many local elections taking place next May. Those in London's borough councils, where the political landscape showed change in the general election, will be of great interest. We will also see elections across England in the metropolitan boroughs and across some district and unitary councils.

The next twelve months in the political world promise to be interesting with much change afoot. Many will be hoping for a strong opposition to emerge, improving parliamentary debate and challenging the government.

Taking a SIPP

From next spring people will be allowed to put residential property into their pensions for the first time. Some in Westminster are cautioning about the possible impacts. Ben Ruffels examines.

On 6 April 2006, referred to in industry parlance as A-day, a new and simplified pension taxation regime comes into effect. The existing plethora of tax structures will be replaced by a single, universal system.

Currently, self invested personal pensions (Sipps) are a fairly discreet part of the pension market. The Treasury estimates that only around 200,000 people hold this kind of pension plan. But as A-day approaches, the potential impact of the new tax regime on Sipps has begun to arouse major interest within political circles and the media – and of course amongst financial advisers.

New investment freedoms

Sipps, which have existed for more than a decade, give the pension-holder personal control over how their retirement savings are invested. From A-day, the range of assets these pensions are allowed to invest becomes much broader. In addition to traditional investments such as quoted

equities, residential property – for example buy-to-let properties or holiday homes – will become eligible for inclusion.

These contributions to Sipps will attract a degree of tax relief in the same way that other pension investments already do. It is perhaps unsurprising, then, that the pension tax reforms are not universally welcomed. Critics argue that the government will, in effect, be subsidising second home purchases by the wealthy.

Opposition concerns

Opposition has been led by the Liberal Democrats. The party is concerned that the chancellor has seriously underestimated the revenue that will be lost through the tax relief given to Sipp investments in residential property. It also believes that an increase in demand for cheap second homes amongst the well-off will push up prices for first-time buyers. This sentiment has been echoed by the Conservatives, who are concerned about the possible impact on affordable rural homes.

The pensions industry is already preparing to take advantage of the new tax rules, but it can expect the political focus on Sipps to intensify in the run up to next April.

will Sipps affect affordable rural homes?





Tory leadership race: David vs David

Following another general election defeat for the Conservative Party, Michael Howard announced that he would stand down to allow someone new to take the helm and lead them to victory in the next election. Katie Wyglendacz charts the course of his succession.

The five men who had already thrown their hat into the ring performed with varying success at the party conference. David Cameron, Ken Clarke, David Davis, Liam Fox and Sir Malcolm Rifkind worked the parties, paraded their wives and partners and had a twenty minute spot on the main stage. Unfortunately, the most successful speech was given by former leader William Hague, who gained the longest applause of all, probably leaving many members disappointed that he was not bidding to lead the party again.

The day before nominations closed Sir Malcolm withdrew from the race, throwing his support behind Ken Clarke. Despite a good speech to conference, he seemed to realise that his chances of success were slim.

Three's a crowd

So four MPs were nominated and on 18 October the 198 Tory MPs voted for their favourite. David Davis, who had been a front runner for a long time, didn't do quite as well as expected but still got through with the greatest support, closely followed by David Cameron, the youngest contender. Liam Fox came third, leaving Ken Clarke last and out of the competition.

Despite his appeal in the country, Clarke could not cross the first hurdle of gaining support from his

parliamentary colleagues. He has been out of front-line politics for a long time and is not counted as one of the movers and shakers of today's parliamentary party. At his third attempt to lead the party, the "big beast" had failed.

Two's company

The next vote, on Thursday 20, saw a last minute scramble for support. As the momentum gathered behind David Cameron he was a certain finalist, but David Davis' support was fading. Both Davis and Fox were desperately trying to ensure that they had enough votes to get through to the final two. In the end, it was very tight with only six votes between them. Dr Fox could exit the race with his head held high. He fought a good race and was seen as young and charismatic, but it was felt that his right wing stance would alienate some voters.

So now the final decision rests with the 300,000 or so party members. The two Davids could not be more different. One is a charismatic and young (some would say inexperienced) competitor, with a typical Tory background, who currently lacks the key tool of a politician, policy. The other is a mature, greying, veteran with a world of experience from business and his upbringing on a council estate, but with a question mark over his ability to convey his messages to the ordinary voter.

The final result is due on 6 December, but with a new leader in place in time for Christmas, will the successful candidate be a cracker or a turkey? No matter who they choose, the Tories must unite behind their leader in order to remain a credible force in UK politics.

Managing legislation

You may be concerned about a significant new policy initiative introduced as a bill. You would probably know its contents from the consultation process, or the government may even have introduced the bill without a second round of consultation.

Either way, you believe its implications have serious consequences. What can you do?

Initially, you can brief MPs and peers on your concerns about the broad priorities of the proposal so that they can be debated during the second reading of the bill. This would reveal the government's attitude to them.

Later, you can lobby on specific issues at the committee stage of the bill by briefing members of the standing committee. This can have two aims:

- introducing amendments to the bill to modify its impact;
- seeking clarification and guarantees about the bill's provisions and how the legislation will work in practice. When interpreting legislation courts follow the precedent of referring to Hansard and placing weight on stated ministerial intent.

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For advice on the most effective way to deal with legislation contact David Massingham on 020 7592 3819 or damm@politicsint.co.uk.

The PBR provides a lobbying focus for a wide variety of organisations vying to influence the Treasury's macroeconomic policy

Who's who in UK terrorism prevention

David Carnell profiles key people.

Hazel Blears, minister of state for crime, security and communities:

has specific responsibility for counter-terrorism. MP for Salford since 1997, has previously worked in two different capacities at the Department for Health.

Bill Jeffrey, security and intelligence coordinator:

oversees the Civil Contingencies and Intelligence and Security Secretariats and leads interdepartmental work on counter-terrorism and crisis management. Also acts as deputy chair of the Civil Contingencies Committee and as the government's senior crisis manager in the event of any serious incident requiring central government coordination.

Bruce Mann, head of the Civil Contingencies Secretariat (CSS):

previously director general of financial management at the Ministry of Defence. Prior to that was director of the MoD's defence resources and plans, and has been the director of MoD defence policy. The CCS was set up to improve the UK's resilience against disruptive challenges, including terrorism, through working with other departments to recover from any incident.

Dame Eliza Manning-Buller, director general, Security Service (MI5):

joined the Security Service in 1974. The main focus of her work has been counter-terrorism, both international and domestic. In 1992, led a newly created Irish counter-terrorist section, following the decision to give the Security Service lead responsibility for intelligence work against Irish terrorism on the British mainland. Appointed director general in 2002.



Responding to terrorism

MPs will turn their attention this autumn to new anti-terrorism legislation. Ben Ruffels looks at the measures being proposed by government.

Several new bills to deal with the threat of terrorism were announced in the post-election Queen's Speech in May. At the centre of the government's proposals is the Terrorism Bill which will bring in a range of new terror-related offences intended to help the police, security services and prosecuting authorities bring more cases to court. Elsewhere in the raft of measures is a Racial and Religious Hatred Bill which will aim to protect against those who incite hatred of others on the basis of religious belief.

ID cards return

A bill to bring in the government's proposed ID card scheme is also back on the agenda. Tony Blair and home secretary Charles Clarke view the cards as a vital tool for tackling terrorism and are intent on pressing ahead with them, despite having had to sideline the controversial measure in the run up to the general election in the face of widespread criticism.

The London bombings in July gave a new sense of urgency to the

terrorism debate. The government sought to reassure the public that it was being proactive on terrorism over the summer by setting up a range of working groups to look at integration and extremism. But opposition MPs and civil rights campaigners are concerned that individual freedoms could fall by the wayside when the new legislative proposals finally enter Parliament.

Government concession

The government has already scaled back key aspects of its terrorism bill. Charles Clarke announced that the proposed new offence of "glorifying terrorism" would be significantly watered down following strong opposition from the Conservatives and Liberal Democrats and some in the legal community.

Clarke remains committed to lengthening the period that police can hold terror suspects without charge to 90 days, a move that will undoubtedly become a focal point in the months to come with the attorney general already having expressed doubts.

The debate will now spill over into Parliament as MPs, fresh from their extended summer holiday, get the chance to scrutinise more closely the government's proposals.



Pre-budget preparation

Later this autumn political attention will turn to the economy and Gordon Brown's pre-budget report (PBR). Andrew Dunlop looks at some of the issues and measures the chancellor might be considering as he prepares for his first set-piece speech of the new Parliament.

In recent years, the PBR has become something of a mini-budget. Although intended as an opportunity to provide a broad assessment of the economy and ongoing policy initiatives, the chancellor has often used his pre-budget statement to the Commons to trail new policy ideas and announce consultations on specific issues. The PBR also provides a lobbying focus for a wide variety of organisations vying to influence the Treasury's macroeconomic policy or obtain assistance through specific measures.

Interest in the likely contents of this year's statement, Gordon Brown's ninth in succession, is growing. With the government's finances tight and its borrowing up, there has already been considerable speculation. Some are predicting a possible windfall tax on banking profits, while others have suggested that the North Sea oil industry could be a revenue-raising target for the Treasury.

Smash and grab

The Treasury has indicated that new taxes applying to life insurers might be announced as part of a clampdown on tax avoidance. The taxes that have been mooted will focus on life company reserves that are used to support the non-with-profits side of their business. The potential move has been branded a "smash and grab" tax

on the saving industry by the Association of British Insurers.

An update on a possible new tax on profits generated by land speculation – the so-called "planning gain supplement" proposed in the Barker review of housing supply – might be on the agenda. So too might be a progress report on discussions within the banking industry on new measures to reunite unclaimed financial assets with their owners.

The current economic climate will make this year's statement particularly tough for the chancellor. Over the last year or so, he has been bullish about the growth prospects for the UK's economy. However, mounting evidence of persistent below-trend growth means it is likely he will have to revise downwards his prediction of 3 to 3.5 per cent growth for this year.

Gloomy outlook

The Treasury has already started dampening expectations. During a speech to the IMF in Washington in September, the chancellor indicated that the PBR will contain new lower growth forecasts. His officials have identified high oil prices along with a cooling housing market and tightening consumer spending as contributing factors.

But as prime minister-in-waiting, Brown will want to avoid any chance that the pre-budget statement will undermine his well-guarded reputation for financial prudence and competence. At Labour's autumn conference, he outlined plans to tour the country next year to help renew New Labour. He will be keen to hit the road with his reputation intact.

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Council tax reform, local income tax and band revaluation were all subjects of intense debate during the general election

Awful, but lawful

The legislation surrounding local government finance (see next article) has often in the past been described as ridiculous. However, there are a number of strange archaic laws which, whilst never used, remain on the statute book. Stephen Edwards provides a sample below.

Hackney carriages

Despite the fact that the last horse-drawn hackney carriage left the country's streets in 1947, the laws governing hackney cabs have not been changed. As a result, legislation until recently specified that taxis must carry a sack of oats and a bale of hay in the back of the vehicle – although there is no evidence of prosecution resulting from infringement of this rule.

Military training

A statutory requirement remains for English men over the age of fourteen to practice longbow shooting once a week under the watchful eye of the clergy. This is a remnant of the days before England had a professional army and local nobles had to raise an army themselves. The Church was used to ensure that training took place given its power and reach in the Middle Ages.

Bye-laws

Local authorities have always had the right to make laws relating to specific local circumstances and many passed for sensible reasons at the time remain unrepealed. For example, a freeman of the City of London has the right to drive cattle over London Bridge and it is legal to shoot a Scotsman with a bow and arrow from York's city walls – as long as it is not a Sunday.

Reforming local government finance

Local government finance has always been a controversial area and was the subject of major disagreements during the election campaign. David Massingham considers its future.

Council tax reform, local income tax and band revaluation – realigning the relationship between house prices and council tax bands for the first time since 1991 – were all subjects of intense debate during the general election. Protests have continued over the high council tax rates and, given that the tax is forecast to increase by an average of 7% again in April, this topic is likely to remain high on the agenda. The government will be nervously looking forward to the next round of council elections in May 2006.

Put on the back burner

The government's response has been to set in train a major debate on the future and funding of local government under the watch of Sir Michael Lyons, director of the Institute of Local Government Studies. This review was in part an attempt to de-politicise the issue during the election campaign with

a final report expected in December 2005.

However, local government minister David Miliband has recently announced an expansion of the scope of the study to include wider issues relating to the functions of local government and, as a result, a delay in the reporting timetable. A final report setting out Sir Michael's thinking will now be published in Autumn 2007 and will feed neatly into the delayed Comprehensive Spending Review, also scheduled for 2007.

Controversy ahead

A series of discussion documents will be published on issues related to the inquiry, including the current and emerging strategic role of local government in the context of national and local priorities for local services; the impact of the government's devolution and decentralisation agenda; and accountability. Whilst the review will take into account the need for fairness, clarity, efficiency and effective management, it is likely to be highly divisive and will be eagerly monitored by affected parties.

making local government finances add up





The new German political landscape

Following a hard-fought election campaign, Germany has started the torturous process of putting together a new coalition government, bringing left and right together in a "grand coalition" as Stephen Edwards reports.

Germany's fierce election campaign ended inconclusively, with neither the right wing Christian Democrats or the centre-left Social Democrats (SPD) able to form a coalition able to command an overall majority in the Bundestag, the lower house of the German Parliament. The Christian Democrats secured 226 seats, with Schröder's SPD closely behind with 222. A number of other smaller parties also gained representation. However, personal and political disagreements meant that none of the smaller parties were able to combine successfully with the two big players and a so-called "grand coalition", consisting of the SPD and Christian Democrats, proved to be the only workable solution. This returns Germany to a situation only seen once before in the late 1960s.

A messy compromise

The resulting coalition has been described by some as a messy compromise. Christian Democrat leader Angela Merkel will be the new chancellor of Germany, replacing Gerhard Schröder. The carve up of cabinet posts has proved difficult but a number of familiar faces have been installed. Helmut Kohl's ex-interior minister Wolfgang Schäuble returns to the post he occupied fourteen years before, whilst the controversial yet charismatic leader of Bavaria, Edmund Stoiber, has been appointed economy minister.

Most striking is the fact that the new cabinet will have a social democrat majority. The SPD has taken eight posts, with party leader Franz Müntefering becoming vice-chancellor and Gerhard Schröder's chief of staff Frank-Walter Steinmeier becoming foreign minister. Schröder himself will remain on the back benches of the Bundestag.

Focus on economic reform

The next challenge facing the two parties is putting together a joint government programme. Germany's unemployment rate remains stubbornly high at over 11% and this has had a significant impact on economic growth rates in the country. The focus for the new government will, therefore, very much be on economic reform, job creation and tax reform. These debates will prove difficult though, given the different positions adopted by the two leading parties during the election campaign. Angela Merkel will be constrained by the influence of the SPD in the cabinet and will undoubtedly be forced into a number of compromises. Negotiations will continue over the next few weeks, with the aim being to have the new administration in place by mid-November, more than two months after the elections.

Schröder's government has had a number of public disagreements with the UK over subjects including foreign policy and economic reform. Over the coming months, there will be considerable interest in the impact of the new coalition arrangements on EU policy-making. However, given the continued influence of the SPD, do not expect significant change soon.

European political climate

Following a clutch of victories in the late 1990s across the European Union, the new centre left was perceived to be on the rise across the continent. Ten years on, the picture looks rather different...

Italy

Following his election victory over the centre left in June 2001, Silvio Berlusconi has gone on to become Italy's longest-serving prime minister, bucking the turbulent trends that have marked Italian politics in the past. He survived the collapse of his centre-right coalition earlier this year, inaugurating a new government bringing together the National Alliance, Christian Democrats and Northern League.

France

Jacques Chirac's presidential election victory in May 2002 ushered in another seven years of centre-right rule at the top of French politics. Coupled with the centre right's subsequent victories in National Assembly and Senate elections, Chirac holds significant power in the French political system. However, recent rumours about his health and the aftermath of the defeat of the EU constitution earlier this year has left him looking vulnerable. The next presidential election is scheduled for 2007.

Spain

The exception that proves the rule: following the tragic Madrid bombings in March 2005, José Luis Rodríguez Zapatero's Socialist Party triumphed over José Maria Aznar's Popular Party. Zapatero's government has not sat comfortably with the "third way" politics of Tony Blair though, and is characterised by a more overtly socialist edge.

Conference 2005: an unexpected outbreak of real politics

The annual round of party political conferences has become increasingly anodyne in recent years. So, for the politically neutral they've become something akin to a nil-nil draw between two mid-league teams more afraid of losing than determined to win.

So, conference season 2005 came as a welcome change. We saw some real politics as David Massingham reports.

Modernisers vs traditionalists

We started in Blackpool with the LibDems. Tangible, but modest, progress had been made in the general election. A claim was being advanced that the party was now the "real" opposition. So, why was the mood so flat?

First, it was obvious that senior party figures were asking hard questions about the party's direction and leadership. More fundamentally, the party celebrated its position in the political mainstream by adopting the traditional path of splitting down the middle. Modernisers proposed radical (but market-oriented) change through post office privatisation and the adoption of a flat-rate tax system. Traditionalists voted down both.

Maybe next year they will learn from the parties that have dominated mainstream politics and avoid serious policy debate.

The same but different

Then, we were off to Brighton and Labour. Now, here was a party where (future) leadership really

was an issue. And how they delivered. Keynote speeches from Gordon Brown and Tony Blair set out differing, but strangely aligned visions.

The genius was to show that this party is home to the two colossi of British politics – everything else is mere sideshow.

End of the pier show

Oh, just how seaside sideshows can appal and thrill. An octogenarian named Walter had the temerity to shout "nonsense" midway through the foreign secretary's speech (if anyone else had reached that conclusion, they wisely stayed silent). Walter was pounced upon by decidedly beefy stewards and manhandled from the hall.

Cue, media frenzy. Cue also a party response that never would have happened in Alastair Campbell's day. Whilst reflecting on the strength of Labour's leadership options, voters may well also ponder whether authoritarianism has taken root in the party of Hardie, Bevin, Foot and Brown (George Brown that is).

Runners and riders

And, finally, back to Blackpool, where the Tories were staging a real leadership contest. Think of this as the Grand National – the form book and the bookies' predictions count for little. The five runners galloped away from the start, and the favourite duly took a bad fall at the first.

There's a long way to go, and others will fall along the way. Unlike the Grand National, fallers can pick themselves up and have another go. Perhaps it's more show jumping than jump racing. Unfortunately for the Tories, this sideshow could well prove to be a short-term distraction from the real race to be run in around 2009.

For, on reflection, and back into neutral mode, this three-week snapshot of British politics ultimately serves to show that we have a government largely untroubled by effective opposition. Sad to say. But we rely on the media to highlight its follies. That is why Walter's 15 minutes of fame is, after all, not sideshow, nor Whitehall farce. It could be a ballot box hit.

Blackpool hosted the Conservative and LibDem conferences



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