



Politics Informed

what we see is what others miss

A new day is dawning

In the early morning of 2 May 1997 Tony Blair declared that "a new day is dawning". Nine years later, George McGregor describes how his once young, optimistic and dynamic administration looks tired, deflated and increasingly accident-prone.

A new day is indeed dawning but it is for Gordon Brown and his supporters. After years of waiting Gordon Brown will soon have a shot at the premiership. But it is still not certain if this will be achieved without a contest or if he will have to see off either a Blairite rival such as home secretary John Reid, bolstered by the recent security situation, or John McDonnell, a left wing member of the Campaign Group.

Brown and the Labour Party are coming to terms with the reality of leadership transition and of the challenge of overseeing the renewal of the Labour Party whilst in government.

Timing is everything

The timing of Tony Blair's departure is much debated. In the run up to the 2005 general election he publicly signalled it was his last as Labour leader and he made clear his intention to serve a full third term before making way for Brown.

Immediately after Labour's poor showing in May's local government elections and in the context of the negative media coverage surrounding the loans for peerages

issue the prime minister shifted emphasis and declared if there is to be a transition *"it has got to be in time for someone to settle down"*.

This was taken as a clear indication that he would be departing Downing Street much earlier than originally planned, with the most likely date around his 10th anniversary in power in May 2007.

But no-one can be certain of his departure date, not least Brown. And the uncertainty has been heightened by former home secretary Charles Clarke who has asserted that the prime minister has *"lost his sense of purpose and direction"*.

Acting the part

In preparation for what is hoped is a smooth and orderly handover Brown has increasingly tried to appear prime ministerial.

This is evident from his meetings with German chancellor Angela Merkel and Israeli prime minister Ehud Olmert, his visit to Northern Ireland to discuss the peace process, his trips to Africa to promote international development and his willingness to lead on issues not normally the preserve of the Treasury.

Brown is also realigning himself with the new Labour agenda realising he will be unable to

continued overleaf

Holiday home

The summer recess is usually a quiet time for politicians. It gives them the opportunity to recharge their batteries, spend more time with their families or plot their next move.

For some, however, this summer has proved anything but quiet! New home secretary, John Reid, in particular, has found much to occupy him in London. The background to his new role is explored on page 2, while the not unrelated issue of the Labour leadership is examined on page 1.

This issue also contains analysis of the pensions debate, the new Department for Communities and Local Government, and our services for the transport and financial services sectors.

One of this government's well-worn mantras has been the importance of *"education, education, education"*. We happen to agree. On page 7 you will find details of our popular public affairs training course, *Politics Explained*. A modular course that enables you to select your personal programme, it helps people from across the public, private or voluntary sectors to maximise the impact of their political communications.

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The battle at the next general election will be for the centre ground and Brown is not about to cede this to David Cameron

Continued from the front page

sustain Labour in power from the left. The battle at the next general election will be for the centre ground and Brown is not about to cede this to David Cameron. This explains his determination to "broaden, deepen and intensify" public service reform, his willingness to agree to the replacement of Trident and Britain's nuclear power stations and his support for increasing the state retirement age.

But as well as positioning himself in the centre ground Brown will also want to show that his administration is making a fresh start and he and his close advisers are working up new ideas on national identity, the constitution and child poverty.

Electoral college

If there is to be a contest for Labour leader the first hurdle for any candidate will be to secure the nomination of 51 MPs, or 12.5% of their number. This high threshold will challenge the left of the party and means there is likely to be only one Blairite opponent, if any.

The election will then be conducted using Labour's complex electoral college. This is split three ways with a third of the college made up of the Labour Party's 200,000 members, a third made up of the party's 372 MPs and MEPs, and a third made up from the millions of affiliated trade unionists. Each part of the college will conduct a one member one vote ballot.

Any contest is likely to take place over a period of months, rather than weeks, meaning that Blair's departure period could be protracted, delaying the dawn of this new day.

Chaos at home

Once again, the Home Office has condemned a leader to the political graveyard. The role of home secretary claimed yet another political victim in the form of Charles Clarke, writes Katie Wyglendacz.

Cue the well-renowned, robust character of John Reid as successor. A Blairite who was settling into his defence portfolio, he only took the Home Office job out of loyalty to the prime minister. He began his reign by repeatedly describing the department that he had inherited as shoddy, disorganised, unreliable and malfunctioning. Whilst not a comforting message for the public and his government colleagues, he began his reign by promoting the now familiar slogan "things can only get better", and that he's the man to lead the way.

First steps

Initially he made a few low profile changes, moving Tony McNulty from the immigration ministerial post to a softer portfolio, setting up a task force to lead a departmental shake-up, criticising judges over sentencing guidelines and halting controversial police force mergers until after the summer recess. All well and good, but there would only be a short

honeymoon period before visible improvements from the department would be expected.

The anticipated mammoth shake-up came last month, following the publication of a scathing departmental capability review. The planned reforms include a shuffle of directors at the top, an increase in the provision of prison places and detaching the Immigration and Nationality Directorate from the main body of the Home Office. It will be interesting to see how these reforms develop and ultimately how fruitful they will be. Will they allow the home secretary to demonstrate that he has at last secured a hold on the department?

The home secretary successfully demonstrated his competence during the recent terrorist scares. With the prime minister on holiday and the country on high security alert, John Reid conveyed a calm air in a difficult situation, shutting out the beleaguered deputy prime minister from key decisions and press conferences.

Gordon Brown will be watching with interest from the sidelines to see if this home secretary can succeed where others haven't and perhaps move on to bigger and better things.





Pensions debate gathers steam

The Department for Work and Pensions is currently consulting on proposals to overhaul the UK pensions system. Ben Ruffels assesses the key elements of the pensions white paper.

Concerns about the long-term sustainability of existing pension arrangements are not new. The facts appear stark: an ageing population is increasing the strain on the state pension system, people are not saving enough to support themselves in old age, reports of company pension schemes being in deficit are not uncommon and many final salary schemes have already closed.

In response to these pressures, the government established an independent Pensions Commission in 2002 to assess the need to move beyond the current voluntary system of pension savings. Its final report was published in April, followed by the government's own white paper in May.

New settlement sought

Work and pensions secretary John Hutton has called for a new balance to be struck between the state, employers and individuals. His department's proposed reforms contain a range of measures intended to make saving easier and the state pension system fairer, particularly to women and carers. Four key reforms are set out in the white paper:

- The introduction of a low-cost "opt out" national pension saving scheme for employees;
- Restoration of a basic state pension link to average earnings, and simplification of the state second pension;

- Reform of the contribution principle, including a reduction in the number of years needed to qualify for the basic state pension to 30;
- A progressive increase in the state pension age in line with life expectancy, from the current level to 68 by 2044.

A lasting pensions settlement will require cross-party support and opposition parties have broadly welcomed the white paper. However, the Conservatives have called for more to be done to assist existing pensioners and the Liberal Democrats are concerned that means-testing will continue to spread under the reforms. Both also have outstanding concerns about the government's agreement to allow some public sector workers to retire at 60.

"Opt-out" scheme proposed

While the suggested increase in the state pension age is perhaps the most contentious element of the white paper, the proposed national pension savings scheme has also been a talking point. It could prove very burdensome for industry. For someone on a salary of up to £30,000, employers might have to contribute 3% of earnings and employees 4%, with 1% contributed in tax relief. Further analysis of the scheme and possible industry alternatives is to be undertaken by government.

Consultation on the white paper closes on 11 September. The government will outline how it intends to proceed by the end of the year, and has signalled that new legislation will be introduced in the next Parliament to give effect to the final proposals.

Financial services

Politics International has extensive experience in developing campaigns that help financial services companies with regulation, product development, product distribution, branding and marketing, market access, taxation and crisis management. We have worked with high-profile companies and organisations and have a long track record in providing advice across the financial services spectrum.

Our activity delivers real commercial benefits to clients by focusing on core aspects of clients' businesses:

- **Product and regulatory issues:** Policy and regulatory developments have a direct impact on financial services providers' commercial operations; our activity is aimed at obtaining policy outcomes that closely meet companies' product and system needs.
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- **Broader communications:** Political communications can be used to support wider communications activity with the media, shareholders, analysts etc, establishing organisations as independent authorities on issues in their sector.
- **Crisis management:** Financial services companies are under intense political scrutiny. Effective campaigning helps defuse criticisms and deflect negative publicity.

The tension for the department is heightened by the development of the comprehensive spending review

Who's who in the DCLG

On 5 May 2006, the extensive Cabinet reshuffle which led to the abolition of the Office of the Deputy Prime Minister led to the creation of the Department for Communities and Local Government (DCLG). Lloyd Adams looks at its key players.

Rt Hon Ruth Kelly MP: appointed secretary of state for the DCLG at its creation after a high profile stint from December 2004 as secretary of state for education and skills during the passage of the controversial Education Act.

Previously minister for the Cabinet Office from September 2004 after three years at HM Treasury, where she held the positions of economic and financial secretary. Kelly worked for *The Guardian* and then the Bank of England before being elected as MP for Bolton West in 1997.

Meg Hillier MP: elected as MP for Hackney South & Shoreditch in the 2005 election, appointed as parliamentary private secretary to Ruth Kelly in May 2006.

Richard McCarthy: new director general of the Places, Planning and Communities Group in the DCLG, he assumes responsibility for programmes, policy and innovation in October. Formerly group chief executive of the Horizon Housing Group and South London Family Housing Association, and chief executive of the Peabody Trust.

Peter Housden: permanent secretary of the DCLG from May 2006. Formerly head of the NHS National Plan, Audit Commission and director general of the Schools Directorate in the Department for Education and Skills.



New department, old challenges

Tony Blair's May reshuffle left a number of casualties in the Labour ranks and created a new government department as Stephen Edwards reports.

The most high-profile demotion saw Jack Straw move from the Foreign Office to become leader of the House. Elsewhere Geoff Hoon was demoted to Europe Minister and Charles Clarke and Elliot Morley left the government altogether.

John Prescott's position was slightly different; he retained his job as deputy prime minister but lost all of his departmental responsibilities. He now chairs nine cabinet committees and deputises for the prime minister on a further seven. Since the reshuffle Prescott has been mired in a number of other high-profile scandals and seems to be on borrowed time even with his new slimmed-down responsibilities.

Local is political

Prescott's former departmental empire has now been passed over to Ruth Kelly and renamed the Department for Communities and Local Government. Kelly herself moved to the new role after a difficult few months politically, struggling with the government's education reform proposals.

The responsibilities of the new department are broadly the same as the previous Office of the Deputy Prime Minister, covering local government, planning, building, urban regeneration and housing. It has also now taken on the communities and civil renewal functions previously undertaken by the Home Office.

Planning to reform

The department faces significant long-standing challenges. Many decisions are subject to the conclusions of independent reviews, and it will fall to Kelly to decide what action to take.

Although the government has tried to reform the planning system several times in the past, planning disputes continue to create economic uncertainty; the Barker review of land use planning is currently looking into these issues. The Lyons review of local government funding is also ongoing and a decision will be far from simple. The tension for the department is heightened by the development of the comprehensive spending review.

Senior officials are in the process of restructuring the department to enable it to face these challenges better. A new structure will be officially launched in October.



Airports policy takes off

Following the publication of the aviation white paper in December 2003, aviation has not exactly been at the forefront of transport policy writes Stephen Bramall. Indeed, one of the principle advantages of the white paper, for ministers at least, is that it effectively kicked a number of difficult and controversial issues neatly into the long grass.

But it was unlikely that aviation would remain in the background for long given the controversial aspects of airport capacity, the environmental implications of aviation and so forth. However, few would have anticipated that the issue that triggered renewed interest in the industry was a hostile takeover of airports owner BAA itself. Whatever the private views of ministers, including new transport secretary Douglas Alexander, they were powerless to stop the Spanish firm, Ferrovial, securing control of the UK's major airport operator, having been forced to give up the government's golden share in the company.

Foreign ownership concerns

The takeover, along with the acquisition of Associated British Ports by the Australian-led bid of Macquarie has meant that some of the UK's most important infrastructure assets which are central to our economy, are owned by foreign interests, something that would be unthinkable in most other countries.

That aside, the most interesting aspect of Ferrovial's takeover is that it prompted the Office of Fair Trading to announce that it was considering an investigation into BAA to establish whether it was acting in the best interests of the

consumer. There have been many aviation interests, not least some airlines, who have long complained about the dominant position of BAA and a full-blown investigation is a distinct possibility, potentially leading to the break-up of the company.

This may not unduly concern Ferrovial since many observers had assumed that it was planning to sell Gatwick airport in any event in order to help fund the takeover – and the fact that BAA was happy to let it be known in the media that it had separately valued Gatwick at £2.5 billion does rather validate this assumption.

Site for the new runway

But what will Ferrovial's view be of the government's preferred option, set out in the white paper, to proceed first with a new runway at Stansted rather than Heathrow? With the airlines at Heathrow making clear that they will not fund the development of Stansted's second runway (a position currently supported by the Civil Aviation Authority), and with the airlines at Stansted complaining about the high cost of the proposal, might we now see growing pressure from BAA's new owners to revert back to what the airlines wanted all along – a third runway at Heathrow?

With the government still to adjudicate on the proposal for mixed mode operation at Heathrow the whole issue of the future of Heathrow is sure to flare up once more. And with the OFT now investigating allegations of price fixing between airlines, this is going to be a turbulent time for the industry. Welcome to your new brief Douglas Alexander!

Politics International's transport services

As the demand for travel continues to grow the government is under pressure to invest in upgrading transport infrastructure as well as to provide new infrastructure capacity. At the same time, concerns over the environmental impact of travel is pushing the government down a congestion charging route in order to constrain capacity.

With transport an increasingly important issue for the government, Politics International has strengthened its transport team and established a dedicated transport unit within the business. Led by Stephen Bramall, a transport specialist with over 30 years' experience in dealing with transport, both in the Department and in public affairs, the unit is able to provide clients with the full range of public affairs services including:

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The relationship between political parties' local associations and central headquarters is always a difficult one

Out of favour

The official residences of senior government ministers have hit the headlines in recent months. Ben Ruffels examines their history.

"Grace and favour" homes are the rather grand residences occupied by senior cabinet ministers, rent-free, at the gift of the prime minister. Usually bequeathed to the nation by wealthy benefactors, many are now owned by the taxpayer or trusts.

These homes have served various purposes over the years – secure accommodation, a retreat from the daily grind of high office or discreet venues for sensitive meetings.

The most well known grace and favour home is 10 Downing Street. The property has been used by prime ministers since 1735. Bucking tradition, chancellor Gordon Brown currently lives there – Tony Blair resides next door at No 11, which is better suited to his large family.

The prime minister's Buckinghamshire retreat, Chequers, provides the Blairs with ample space to entertain foreign leaders and celebrity friends. The estate was given to the nation by former MP Sir Arthur Lee in 1917. Chevening, a 3,500-acre Kent estate, has traditionally been occupied by foreign secretaries. Margaret Beckett recently took up residence when she succeeded Jack Straw.

Until recently official residences were a sought-after perk of the most high-ranking government positions. But since deputy prime minister John Prescott's foray into croquet at the Dorneywood estate, which brought his stay there to a premature end, their appeal seems to have rapidly diminished.

Top of the A-list

The relationship between parties' local associations and central headquarters is always a difficult one, writes Katie Wyglendacz. The grass roots regularly believe that their territory is being invaded and those at the top claim that they are being ignored. Preventing an almighty row in the public eye requires careful management.

David Cameron's reforms of the Conservative Party have aimed to ensure that no discord is visible to the voting public. So, when it came to reforming the system for selecting prospective Parliamentary candidates by drawing up a central A-list of candidates, the furore resulting from Labour's reforms of its own system must have been at the forefront of his mind.

Star turns

The list includes local politicians like GLA member, Angie Bray, experienced PPCs like Julia Manning and MPs like Anne McIntosh who will lose her seat at the next election due to boundary changes. It is the celebrities on the list who have really captured the headlines, including former Coronation Street actor Adam Ricketts, environmentalist Zac Goldsmith and broadcaster Esther McVey.

Reflecting society

The aim of the list is to speed up change in the composition of the Parliamentary party to be more reflective of the voting population, particularly in terms of sex and race. Cameron also wants associations to ensure that at least two out of their four short-listed candidates are women.

Some argue that this approach skips a few stages in the evolutionary process. Local associations are responsible for selecting their candidates, who build up their reputations locally. Faced with a choice between their own candidate and a high profile A-lister about whom they know little, it is unsurprising when the former is selected and the latter resented.

The list comprises individuals who are believed to have the right skills to succeed as MPs. This may prove useful for those associations with little choice of candidates and a combination of local and national stars in the Parliamentary party may be just the ticket for a Tory comeback. However, it remains to be seen whether the A-listers will be selected as widely as Cameron would like and if not whether he will carry out his threat to impose a list if it is not voluntarily accepted.





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Leader's reports

For some time now, UK political headlines have been dominated by criticism of and questions over the leadership of the three key political parties. With Parliament now in summer recess and the potentially rocky party conference season fast approaching, it is unlikely that this situation will change. Katie Wyglendacz takes a look at the two newest recruits, David Cameron and Sir Menzies Campbell, and their leadership record to date.

With a slight head start, David Cameron was doing rather well. Despite a media smear campaign against him in the early stages of the leadership election, once elected the transition of the leadership was smooth. Since then he has ridden out the storm over party election campaign loans, managed the birth of his third child with little distraction, and achieved good results in local elections. Cameron's success has partly been due to his excellent public relations skills but the bulk of his achievements is down to the projection that he is well supported and apart from a few on the fringes, the Parliamentary party has united behind him. The renewed party buoyancy has been reflected in successful poll ratings and gains on the Labour Party.

End of the honeymoon period

But is the honeymoon period now well and truly over? The by-election results in the former safe Conservative seat of Bromley and Chislehurst would indicate that it is. In Cameron's first major election challenge, the seat was

held but the Conservative majority was slashed with the Liberal Democrats running a close second.

Balancing act

The result is the reflection of the aggressive and personal campaigns that dominate by-elections but may also be an indication from the grass roots that now David Cameron has begun his reforms, traditional voters do not like what they see, a shift towards the political centre. Whilst encouraging the wider public to embrace the Conservative Party, Cameron has to ensure he does not lose his core voters and it will be interesting to see how he manages this balancing act over the next few months.

Unity candidate

Sir Menzies Campbell did not enjoy the honeymoon period granted to David Cameron. The Liberal Democrats were in disarray after the very public sacking of their

former leader Charles Kennedy, followed by a scandal-fuelled leadership race, where skeletons burst from closet after closet. Campbell was the eventual successor, largely for his dignified and secure leadership style which is well respected by all his Liberal Democrat colleagues. He was seen as the candidate who would unite them again.

Lack of charisma

Campbell has been successful in fulfilling that grandfatherly role, but he lacks the charisma and appeal that the public demand from their politicians these days. Performances in the Chamber have been hazy and whilst they made headway in recent by-elections, the May local elections were a disappointment the Liberal Democrats found hard to mask. Campbell stated that the results "consolidated" their position, but the fact remains that he could not facilitate the success and headlines that dominated the Kennedy leadership.

The critics are mounting and recently the voice of a rejuvenated Charles Kennedy was added to the mix. Stating regret that he did not stand in the leadership election and believing that he could have been more successful than Campbell in recent months, there is certainly the possibility of a comeback. However, in the meantime Campbell will continue his reign with strong proposals for policy change to be debated at the party conference in September and, as he is aware, this will be the test of whether the party are fully behind him, or not.

