

Ministers Reflect Lord Heseltine



3 May 2017

Biographical details

Parliamentary history

2001– present: Conservative Member of the House of Lords

1974–2001: Member of Parliament for Henley

1966–74: Member of Parliament for Tavistock

Government career

2010–17: Adviser to Secretary of State for Communities and Local Government

2015–17: Commissioner, National Infrastructure Commission

1995–97: First Secretary of State and Deputy Prime Minister

1992–95: President of the Board of Trade

1990–92: Secretary of State for Environment

1983–86: Secretary of State for Defence

1979–83: Secretary of State for Environment

1976–79: Shadow Secretary of State for Environment

1974–76: Shadow Secretary of State for Industry

1972–74: Minister (Aerospace and Shipping) (Trade and Industry)

1970–72: Parliamentary Under-Secretary (Department of Environment)

1970: Parliamentary Secretary (Ministry of Transport)

Lord Michael Heseltine was interviewed by Daniel Thornton on 3 May 2017 for the Institute for Government's Ministers Reflect project.

Lord Heseltine explains what worked, and what didn't over his five decades in government and politics, whether working with a Conservative Cabinet or Labour local government. Heseltine reflects on his relationships with Thatcher and Major and policies from devolution and the poll tax, to industrial strategy and Brexit.

Daniel Thornton (DT): You first came into government in 1970 as a junior minister in [the Ministry of] Transport. What had prepared you for that role?

Lord Heseltine (LH): I think there were two significant factors that had prepared me for government. The first was my experience in creating a [property and publishing] business, where I started with just two partners and a secretary. The second was my role in the Opposition as shadow spokesman for transport; this gave me a good working knowledge of the subject area.

DT: You then held a number of ministerial roles over the 1970s, before becoming Secretary of State for the Environment in 1979. How did that experience accumulate? Coming in as Secretary of State, did you reflect on your work as a junior minister and draw on that experience?

LH: As you said, my first experience in ministerial life was as a junior minister in the Ministry of Transport. But three months after the election [in 1970], the Prime Minister created the two jumbo departments: the Department of Trade and Industry and the Department of Environment. The Department of Environment absorbed the Ministry of Transport, Ministry of Housing and Ministry of Public Building and Works. This meant I had a new boss, Peter Walker, who was one of the most formative influences in my political life. I moved from the transport wing of the department to the local government wing. I worked in that capacity for the following two years, working very closely with Peter Walker in the reorganisation of local government. The background to this work had been the publication of the *Redcliffe-Maud Report* in the 1960s, recommending that 1,400 existing local authorities should be replaced with about 60 unitary authorities based around local economies. The politics of trying to reduce that number of local authorities was stretching to say the least.

But working through that legislation, which actually ended up creating about 400 authorities in place of the 1,400, was a very formative part of me getting to know local government. On top of getting to know how the Conservative Party worked and where the loyalties of MPs lay.

The next big stage of my life was when Margaret Thatcher became the leader [in 1975]. By that stage I was Shadow Secretary of State for Trade and Industry under Ted Heath in opposition. That was not attractive to Mrs Thatcher and she moved me to Environment. This of course included local government and housing, which later became a major feature of the 1979 election campaign.

DT: Your experience as a junior minister in the 1970s gave you continuity on local government. Did you come in with clear ideas of what you wanted to do as Secretary of State in 1979?

LH: Yes. I remember working on aspects of the local government relationship in the early 1970s and being appalled by the way in which the South Bank of the Thames was being developed. It was being developed on a piecemeal basis, with architecture that I thought was quite inadequate for such a prestigious site. I had worked on a plan with officials to create a development corporation on the South Bank. Then I was reshuffled to aerospace and shipping and that plan never saw the light of day.

But by 1979 I had discovered the East End of London, which of course had a huge 6,000 acre derelict area. There had not been any private sector house building since the war. It was an area where the young had gone, and where huge swathes of largely infrastructure type industries had closed down or moved away closer to the sea. So my first question coming in as Secretary of State in 1979 was “Where are those plans that I worked on for the South Bank?” Those plans became the model for the Docklands Development Corporation. I remember giving my permanent secretary a list on an envelope of 10 things and saying, “This is the agenda.”

DT: So you already had those 10 priorities set out when you arrived in 1979?

LH: I did. My permanent secretary gave the list back to me when I left three years later and most of it was done.

DT: What about when you arrived in 1990 [as Secretary of State for Environment]? It seems that it was a bit more uncertain what role you would get, and that there was not quite the same run in as in 1979.

LH: Certainly not. I had been on the backbenches for four years by then. I think, understandably, there was a certain suspicion of me, not the least because I didn't know John Major and his team really. They were another generation to me. I think that the press coverage of me in that period had been quite polarising, it suited those who were fans of Mrs Thatcher to paint me into a picture which really was not very realistic. But it nevertheless had an impact. So after a discussion with John, I became Environment Secretary again. That was a huge privilege. First of all, I knew more about the department than the officials. I mean, I had served there on two previous occasions and it was very much an opportunity for me to pick up the agenda that I had left behind.

The policy from the 1990s that was the most innovative was City Challenge. The work I did in 1979 in urban deprivation in significant measure consisted of using a derelict land grant mechanism that Peter Walker had created to get rid of the spoil, coal and iron tips all over the country. The work was nearly complete by 1979 but I saw the opportunity to take the grant mechanism into the urban areas, where there was a lot of derelict land. We had done that, not just with the development corporations, but with on-site specific initiatives and in partnership with the private sector. A very important part of

my '79 experience was partnerships between the public and private sectors. But what we did in the '79 period was largely related to derelict land where there weren't any people, whereas by 1990 people had become a more complex part of it.

So in the 1990s, we took the lessons of public sector partnership with the private sector to try and tackle some of the problems of the most deprived communities. This was the scheme known as City Challenge. It was hugely controversial because first of all it was not within the usual experience to involve the private sector in social deprivation of this sort. Secondly, it was competitive. We allowed 30 local authorities to compete but only 10 won and that was seen as an outrage in social policy. But the scheme consisted of recognising that the public purse could afford 10 packages of £35 million over five years, so it was £7 million a year for five years. What the local authority had to do was to produce a plan showing what they would organise for their deprived community, who would run the scheme, what the private sector or the third sector would contribute, what the tenants thought of the scheme. It would then be judged by ministers, which is what we did.

It had very fascinating consequences. The first was the competition itself because what happened is that 10 won, 20 lost. The 20 were indignant but they all went off to find out how the 10 had won. The second thing is it reinforced, in a new dimension, the partnership processes with the public and private sector becoming Bill and Ben, as opposed to targets from mountain tops. It meant that local authorities had to consult their tenants, a curious thing to do in many people's minds. It was found that the great departments of a local authority had to work together, which they didn't do usually. They were all the outposts of Whitehall. There was the housing department, the chief surveyor, the education people, but with everybody all looking to Whitehall to their corresponding ministries, to put together a programme of renovation for a deprived community. They all had to sit around the same table and put inputs into the plan. That was unheard of.

So I look back on this City Challenge scheme as being very formative in not only own personal and political experience, but in the whole process of the devolution agenda. This was because it was about communities, not just about derelict land.

DT: Let's come back to those 10 priorities that you gave your permanent secretary in 1979. I assume some of them would have been from the '79 manifesto, for example, people buying council houses, is that correct?

LH: It must have been. Council house sales must have been there. The thing that people don't appreciate is that not only did we sell the council houses, which we were very pleased to do, but we recreated the private rental sector in the short term. This was hugely important in social terms of course, to recreate a private rental sector after decades of rent control that had completely destroyed that element of the market. But there were some very important environmental opportunities involved in the process as well.

DT: Presumably your experience as a property developer was relevant to what you did in government and your understanding of it?

LH: Certainly. I knew about building. I knew about property values. I had a feel for local authority relationships with the property business. Certainly working [in government] with the house builders was a very satisfactory part of the regeneration. I think that within a couple of years we were building 2,000 new houses a year in East London with the development corporation.

It's important to understand the Government's relationship with the housing industry. There was a little team of senior house builders that met the Minister of Housing regularly once every three months. Their spokesperson was a guy called Tom Baron, who worked for Christian Salvesen; he was very articulate and aggressive and I got on extremely well with him. But he was always banging on about the inadequacies of my department. So one day I said, "Look, why don't you come and work for me? Come inside the department and we will have adult conversations." He was a special adviser with an expertise and we had those conversations.

The Liverpool experience of 1981 was born from the riots in Toxteth, but rapidly it became a Merseyside experience. I remember very clearly a conversation I had at the time with the Labour leader of Knowsley, one of the more deprived areas of Merseyside. He pointed to this area called Cantril Farm, which was a local authority housing estate, and he said, "Look, we have got an occupancy [rate] of 32%. It is rat-ridden, it is crime-ridden, it is known as a place to get out of. No one wants to be there. We have tried everything we know, will you help?" I agreed but on one condition, that if I come up with a solution he wouldn't allow his party instincts, policies and philosophies to frustrate my plan. So I persuaded the Abbey National and Barclays Bank to buy this estate and we ran it with Tom Baron [from the housing industry]. I have been back there and it is a thriving and successful community where there is a great deal of pride, local leadership and mixed tenure housing.

So that was a very, very interesting social experience that certainly influenced me and was formative of the local authority housing movement in the 1990s. We had learnt that it could be done and you could have local management. There are now significant numbers of local estates that are run in conjunction with their tenants.

DT: Let's turn to industrial policy. Another thread running through your career is, starting back in the early '70s, the championing of Concorde. One of the key discussions in industrial strategy is this question of backing the winners, which you address very clearly in your *No stone unturned* report. What had prepared you for your role in industrial strategy? Now obviously your private sector background and your experience with selling were highly relevant. But did anything prepare you for understanding which technologies you wanted to back in aerospace?

LH: Well, I suppose intrinsically it's the heart and the experiences of starting a business, which literally was a one-man level of activity. But with all the preferences that you

normally associate with those sort of people, meaning get off my back, sack your civil servants, get rid of the red tape and all will be well.

DT: So you mean adopting a liberalising agenda?

LH: Well, you can put it like that, but it's usually put in a rather more evocative language. I started there, and my political experience showed me that whilst this has credibility for starting a business, it has no credibility at all when you start looking at it from a public sector's point of view, a large company's point of view and certainly not from an international point of view.

The Concorde experience was interesting but it is not the one that I would quote as the most formative of my experiences. The most interesting one was the creation of the European Space Agency. One day on my desk as Minister of Aerospace came a submission asking me to authorise £6 million of space development research because the French and Germans had spent similar amounts of money and we were falling behind. I called the relevant officials in and said "Look, before we go down this road, tell me what the total R&D expenditure on space is for the whole of Europe." I will never forget the figures; Europe £200 million and America £1.2 billion. So the proposed £6 million would have been contributing to [European] national governments trying to compete, doing the same work and fighting each other.

So I decided to try something a bit different and see if we could get a European Space Agency. Well, we did and there were effective compromises: the French launcher programme, we supported the Germans in their wish to join the post-Apollo programme and we got satellite leadership which is what British industry wanted. Britain has done well from the European Space Agency.

DT: So you have already given us some ideas about how you got things done as a minister in the sense of arriving with a clear list of priorities and handing it over to your permanent secretary. But in all of your different ministerial roles you have made some big decisions and you have changed things, for example, getting rid of poll tax. With this in mind, what advice would you give to other ministers about how to get things done in government?

LH: Well, the first thing is to know exactly what you want to get done and to articulate it clearly. Second is to find out what your department is doing because that's not easy. There is no management information system which will enable you to know in detail what departments are doing. You only have to look at the promotion processes for officials to realise that they zig zag across departments. They have great strengths but these do not include the working knowledge of the shop floor of their trade, so to speak. In the Department of Environment this meant they will have started in a junior capacity in housing, within a few years they will be doing water and in another few years they will be doing pollution. They might even come in from a top level from another department.

The private sector will, in the most detailed way, produce an analysis of every aspect of what is going on and it is fully costed. There is nothing like that in the departmental

world. I created such a system. So I knew exactly what was happening and I used to go through it with officials. Sometimes I would say “You’re not doing a big enough job here, we’ll put more resources in.” We all knew exactly what officials were doing and what their objectives were. Now, it was a very boring thing to do. Management systems are boring and one can well understand that, but whenever I left a department, quite soon the systems disappeared. The Government said they liked it in *No stone unturned*, but it is never going to happen.

DT: And I think at some point you presented your ideas on management information systems here at the Institute?

LH: I literally spent hours in this room discussing it with David [Sainsbury, Chairman of the Board, Institute for Government]. He agreed with me but he never got a breakthrough with the management systems.

DT: Is it right that you presented to the Cabinet on this topic?

LH: Yes, I was greatly flattered. But I think it was a mistake. My relationship with Margaret was completely misunderstood. I mean, we were never friends. Being in the same government has nothing to do with being friends, it is a question of being colleagues. She had a very high regard for the way I was running the Department of Environment, one of the biggest departments I got. I took 13,000 jobs out of it in three years, killed off 60 quangos. Margaret was very impressed with the MINIS [management information] system and said, “Michael, this is very good, you must present it to the Cabinet.”

So we all gathered in Number 10 and you’ve got to realise I was a sort of pipsqueak in the Cabinet. I was just new, brash and fast moving. There was Willy [Whitelaw] and Quintin [Hogg, Lord] Hailsham, and there was me with all these forms and these documents of, you know, having to spend £1.50 less. Well, John Nott then said, “Prime Minister, I have got a budget with an inflationary crisis of 18% running, do you seriously think that I have got the time to get involved?” The whole thing ended in total chaos! That was the end of the management information system for government.

DT: So was it that they didn’t want to do that level of detail or was it that they were too grand? What was the issue?

LH: You know, they were not managers. They were professional politicians. Some of them were good friends, others were just colleagues. But I think I should have said to Margaret that if we’re going to do something like this, to try it with the permanent secretaries. Rather than getting involved with all the governors because they simply will not understand and won’t want anything to do with it. It was time consuming, boring and tiring. Quite often you are tired as a minister, and to be told that this afternoon you’re doing the MINIS record with the Department of Water and Purification was tiring.

Nevertheless, it did mean I knew and I set objectives right through the department. Something like the system should exist and in my industrial strategy white paper there’s

quite a lot on how you should use it. The Government has said some good things but it is doubtful whether they will follow them through in detail.

DT: Let's come back to that. But you were saying that as a minister first of all you need to be clear what your priorities are, and secondly you need to know what your department is doing. What's the next stage for getting things done in government?

LH: Set targets and monitor precisely, with no wiggle room. So this means when you have a meeting, you outline what your views are, what you want, the timescale in which you want it, and that you expect an interim report from the private secretary by a certain date. Then it will happen. But if you don't do those things it won't.

DT: But this is meetings with civil servants, rather than with your ministerial colleagues?

LH: Well, you see, that's all a part of it. In 1969–70 I was junior minister to John Peyton, and he was an old warhorse. His meetings were really dialogue, a monologue of his own memorabilia, experiences, prejudices and anecdotes. I'd just be sitting at the end of the table, but I wanted to get on. I knew about transport. I had worked on it. So when we went to the big department [of Environment in October 1970], I explained to Peter Walker and I was moved to local government where I worked under Graham Page, who was a very nice man.

But this is where I learned so much from Peter Walker and where he was so innovative. We met every day as a ministerial team. There was Peter himself, Julian Amery, Graham Page and John Peyton. Then underneath them there were three thrusters; Paul Channon, Eldon Griffiths and myself. The seven of us would meet every day and what Peter did was ruthless: "Yes, yes, these ideas are very good Graham, but I think Michael should do this." Before you knew it you were working for Peter Walker! Of course you talked to Graham, but actually Peter ran it. So the junior ministers became ministers of state effectively, and that was Peter making change at that stage. Now this is very common, you will see all the ministerial portfolios and right down the ministerial chain they have some title. But that never would have happened in the 1970s.

DT: So the ministers were part of a team who were getting things done, and it is quite striking that you were meeting daily. I think that's not too common in Whitehall.

LH: I don't think it was.

The civil servants hated Peter's political meeting, they made great efforts to get a civil servant in there and Peter wouldn't have it. It was very courageous of him to do this in those days. Peter told me that his permanent secretary would say, "Secretary of State, we understand you wish to have private discussions, but if we can't be in the meeting how can we know what you've decided?" To which Peter replied "I'll tell you." They didn't like that. They went on again and had another counter-attack. Eventually Peter said, "Now I am prepared to let you come into my meetings, provided I can send one of my ministers into your permanent secretaries meetings." The matter was never raised again.

DT: Can we wind forward to the 1990s when you were in Cabinet and Deputy Prime Minister? We have talked about getting things done inside departments, but when you needed to get things done across government, something like replacing the poll tax, that was something that had implications for lots of different people. And as Deputy Prime Minister, I think you chaired a lot of Cabinet committees. Can you talk to us about how you got things done across government?

LH: It is a very, very important subject and my answers are not in any way adequate for the scale of the challenge.

In terms of replacing the poll tax, I was always against the poll tax. When I said always, I was not against the poll tax in 1979 when I thought it was reasonable for getting rid of the rates. At the time, we looked at all the options including the poll tax and I started off saying, "This is sensible, this is fair, everyone pays a bit and it will be alright." But having gone into it, with my departmental officials, I became quite certain it was undoable and undesirable, and so I persuaded the Cabinet to stick with the rates. The moment I left to become Defence Secretary [in 1983], Margaret put Willie [Whitelaw] in to have another look and Willie re-endorsed what I had told the Cabinet. This thing disappeared until the rates revaluation in Scotland in about '85. Margaret obviously always had in mind this poll tax and resurrected it for Scotland. That was the history of it all.

It was a monumental disaster and I had made it clear all the way through the late '80s that I was against it. When the leadership challenge took place, I said I would get rid of the poll tax. Frankly, the feeling in the party was so strong, that John [Major] and Douglas [Hurd] both came in and said we are also getting rid of the poll tax. I mean, they had every reason to follow my lead. So there was no difficulty about Whitehall. I don't think they thought it was a particularly good scheme. The Treasury were also against it.

The solution was to bring back the rates, which is what the council tax is, in a modified form and with bands. It is a property tax, which is collectable. I designed it in a European Council meeting in Paris. It was one of those boring European meetings where everyone sits around a table and reads a turgid text, which contains nothing you don't know. So I said to my private secretary, "Look, I can't stand anymore of this, we are going to go back to the embassy to write a paper about how to get rid of the poll tax." Which is what we did, and that's where it came from.

But anyway it came out of my proposal and that's how we got rid of the poll tax. It was not controversial in Whitehall and there was a great sense of relief.

In 1992 I went to DTI (Department of Trade and Industry), where I had always wanted to go. I was there for three years when we did the competitiveness white paper. Now, it wasn't the most rigorous document, we were after all a government defending our record and we were not there to create hostages for the Opposition. But the publication of our document led Gordon Brown to immediately find the weaknesses that we personally exposed as the fault of the Government. So that is the danger of the annual white paper. I don't think it actually does much in the public domain, in truth the

fact that you have been upfront on a particular field is not going to destroy the Government. But I believe it was the right approach. It might make the Government do something and hold its feet to the fire for the next annual report. So I was very pleased.

DT: Could I just ask about the annual performance paper from DTI, what action did that lead to across government? Since the effectiveness of DTI obviously depends on action from a lot of different government departments.

LH: Yes. Well, you go onto a very important point which I do address in my industrial strategy. This was DTI driving change. But it struggled to work because by the time you rang up your colleagues and they acknowledge your work, it is too late. The thing that Theresa May has done for driving change across government is to create a Cabinet committee, which she chairs. That's what she has announced, but it doesn't mean it will work. Because you then have to look at how you get to the decisions, who does what, and managing all the people, shifts and flows. Well, I have got answers to those questions but they'll all be in my industrial strategy.

DT: Is there anything specific about being Deputy Prime Minister and chairing all these different Cabinet committees that you would advise a future Deputy Prime Minister to do?

LH: You can be many things as Deputy Prime Minister. You can first of all be the king over the water, the heir apparent. I did not take that view. I took the view that I was inseparable from John Major and there would not be a sliver of cigarette paper between us. Because if there had been, it would have been all over the national press that I was in waiting. So when accepting the job I took a very simple view, I am here to act on the Prime Minister's behalf and there will not be a glimmer of light between us, and there never was. That was the basis of my authority. The relationship grew from John not knowing me or ever having worked with me, to him coming to rely on me and trust me. I think throughout Whitehall people knew that if I turned up and said black is white, I wouldn't have said it unless John Major told me black was white. That was my authority.

So there are all sorts of ways of playing that game. But my position was absolutely clear, I was there to help him out. You're not running the Government. You're doing what needs to be done at the time. After all, we only had two years until the election and we were in big trouble, it was quite obvious that we were heading for some pretty uncomfortable times. The Tories had been in power for almost a generation and times were changing. So I did what was required. A lot of it was troubleshooting, although I did keep the competitiveness agenda.

DT: Perhaps we can come onto infrastructure, which you have been involved in recently. You talked in the industrial strategy about the importance of a long-term focus and having the whole of government focused on something. You also talked about the National Infrastructure Commission, giving an independent or semi-independent body

some authority to pronounce on the subject. Could you talk to us about how that worked and what you saw?

LH: I do not have the slightest doubt that the National Infrastructure Commission was a George Osborne creation. George Osborne was, in my view, a very strategic chancellor, unlike many other chancellors I can think of. Chancellors are broadly there to run the Treasury and say no. I fully understand why they say no, because everyone is out there trying to spend money they haven't got. But George took a much more strategic view. I hope I have played some part in that, in the devolution and infrastructure agenda, where we are in many ways, woefully behind. If there is one theme from my political life, it has been more capital expenditure and less consumption. I was never wet or dry. I was always in favour of cutting consumption to invest more in capital in the '80s.

So George wanted the National Infrastructure Commission. The whole point was making Whitehall more effective. George wanted mechanisms to do that, and the Infrastructure Commission did go across and short circuit the processes of Whitehall. In my view, it was quite exceptional to have a body that was basically about spending that was so close to the Treasury. Normally the Treasury would distance itself from such a body. But George had got this body very close to the Treasury and we gave him what he wanted. Rightly, we weren't told what he wanted, but we knew that if you tell people to look at the internet connection regimes, they're going to come up with some pretty horrid conclusions and we did. We did specific issues, like the Oxford-Cambridge links, and came up with proposals. But that was all working alongside the devolution agenda and that is very much George Osborne's personal input into that.

DT: So coming back to the themes we discussed at the beginning of this interview, we talked about the reorganisation of local government giving communities a say. In a way, was the Northern Powerhouse, the mayors and the devolution agenda all a big part of the infrastructure issue? It was about ensuring local people were involved in these issues?

LH: So the Local Enterprise Partnerships (LEP) were set up as a response to the destruction of regionalism. So what are LEPs? When I first starting looking into it they were two guys, and they were proud of only being two guys. Well, that was ridiculous. So my dilemma, which was easily resolved, was how do you create a new organisation locally? All my previous experience told me no, not again, you'll never get there. Instead I took what was there, which was the fig leaf of the Local Enterprise Partnerships, and built them and got them money. They are now a very important part of the decision-making process in many areas. They have a veto effectively, because if they can't agree the plan, then the plan doesn't get agreed so to speak. So they are very, very involved in the local plan-based devolution process. It is good and it is working.

DT: As you said, Theresa May has said she is interested in seeing the industrial strategy but there hasn't been much action so far.

LH: I think it has been wrongly dismissed by the press. It asks the right questions and it doesn't pretend to have all the answers, but that's what a green paper is supposed to do. I think the press have got it wrong, saying this is just the same old stuff. It is not the

same old stuff. It will be very interesting to see what the white paper is like, that was what I was working on and that is what my own industrial strategy is capable of addressing.

DT: But it does seem that the energy has gone out of the devolution process in England. I mean, there aren't many new deals coming in the pipeline are there?

LH: It seems so.

DT: Do you hope they will come back?

LH: I am wholly convinced it needs to come back. The politics are very difficult, for all the same reasons I faced with Peter Walker in the '70s. Local MPs don't really want it. The local mayor will be a bigger character and will be more important in the locality than the MP. It is a huge job. It is very exciting. I saw an article in *The Times* today that missed the key point. It is not about the budget. It is the ability to bring people together. The ability to sit people round a table, people who would not normally come together and say, "Look, we're all in the same mess together, are we going to do something about it or are we going to shout at each other?" That's the job the mayor can do.

You can't believe how fragmented this country is. You probably know all this, but it is. I was in Humberside, where there are four quangos that have a massive role to play; an environmental one, a port one and this one and that one. Chris Haskins, who was boss of Northern Foods and Labour peer and Chairman of the local LEP, said to me, "Look, they don't talk to each other. There is no means of communicating." In response I rang each one and said, "Look, forgive me, I don't want to interfere but will you come to a meeting?" An hour later they were all friends. That's what the mayor can do, if you've got a mayor that is. But actually on Humberside, we haven't got a mayor. We have got two warring tribes.

Will it [the devolution process] happen? Well, I watch with interest. But if the Government holds its nerve and continues to back the existing mayoral authorities, then they can make a success of these new opportunities. Certainly if Andy Street wins West Midlands, he will make a success of it. He will transform the way in which that place operates. He's a really good guy. You can sneer and say John Lewis don't understand. But John Lewis do understand, you know, they don't do the level of their work without understanding. Andy went all the way up from an office boy to managing director. So he could transform things.

It is all about local personalities. I will tell you an interesting thing about all of this. In the 1990s I wanted to take forward the rationalisation of local government, and I couldn't quite persuade my colleagues to impose a solution in England because the Tory Party would not agree to seeing the districts go. Because the districts are the foot soldiers of the local constituencies. Incidentally, it doesn't make any difference whether it is a unitary county or a two-tier county in election terms, the savings are the same. It doesn't make any difference at all. But that's a very different thing.

So I had to go through the voluntary route. But in Scotland and Wales where we didn't have Tory councillors on any scale, we got rid of the two-tier system by statute, full stop, gone. So that was in the 1990s. And when I was doing *No stone unturned*, which is only about England, I thought I would go to Scotland and show that at least I am interested. I met the Scottish local authorities, and was expecting to get really roughed up, in terms of "You bastard, you got rid of our system, you imposed all this on us." But the meeting went quite well, and they were quite interested in what I had to say. Eventually after about half an hour I said, "I was expecting you to raise the subject of districts."

But then I sat back and recognised that it is nearly 20 years since I got rid of the districts here. I looked at these guys around me in their 40s, and thought they would have been in their 20s, they don't know what the districts were. Nobody raised the subject and they'd hardly heard of it.

So we have got a number of unitary counties now, which Blair eventually got going. I gave him the legislation. I couldn't make it happen in England, but he could. He got it happening. There is going to be a serious financial squeeze on the districts and the counties. I think that will lead to more unitary counties. So your questions in relation to devolution are absolutely right. If Corbyn didn't exist and if there was a Labour leader of the sort that Blair used to be, it wouldn't surprise me to see them impose mayoral authorities.

DT: Perhaps I can ask one last question. You've made your views on Brexit clear. On the industrial strategy, clearly membership of the Single Market does impose some constraints on the UK as well as providing some economic benefits. In a sense, you can write a different sort of white paper with the prospect of Brexit and doesn't that create some opportunities for the industrial strategy?

LH: I can't think of one.

DT: Don't Single Market rules constrain opportunities in terms of finding industry winners?

LH: The French launched Airbus. What is the figure for the amount of money we derive from European research projects? Who is going to replace all of this? Well, of course we will probably replace some of them with our own projects, but are we going to be let into NASA or America's space programme?

But being as positive as it's possible to be, Brexit argues a case for an industrial strategy even more than non-Brexit because the present arrangements are not bad. You have only got to look at what the university vice-chancellors say about the present arrangements to know we are doing pretty well out of it. If the Remain campaign was right, and of course I believe it is, then the loss of opportunities in Europe is serious. This means an industrial strategy is even more important than had we stayed where we were, because our situation is worse now, the urgency is bigger.

DT: That is pretty clear, thank you.

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