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PRIME MINISTER

ELECTION/POLITICS

Steel launches a surprise bid to lead a merged Alliance; Owen to fight it.

Hattersley rules out any formal link with other parties to oppose Conservaatives.

Mail says Hattersley is thinking of leaving politics. Others say Healey faces drop from Shadow Cabinet; Hattersley to replace him. Others likely to go - Shore, Denzil Davies, Orme, Radice, Archer and Barry Jones.

Livingstone calls for a radical Left wing approach to win South for Labour. Kinnock seeks one person one vote in selection of candidates.

Biffen hints he may adopt critical note on Backbenches and calls for more spending on health and education.

Guardian says Britain is set to join the EMS; Times says Government is likely to stay out.

Unionists in Northern Ireland divided on future strategy after poor election result.

Times: The new public spending round starts in earnest today with the Government's plans for next year flbn adrift.

Star's main story is headed Tory drive to win back inner cities; it claims a spending spree is involved. Norman Tebbit tells why he has left the Cabinet.

Star leader on Scargill's claim that he was gagged during the election, says what a shame that happy state of affairs has not lasted longer. In Yorkshire his own miners have accepted flexible rosters which have produced healthier profits. But this is a dirty word to Scargill who wants to lead them back to the dark ages.

Sun's main story is that Livingstone is seeking control of Labour Party; he has pledged that Kinnock will never smash the Left. George Foulkes virtually accuses Livingstone of sabotaging Labour. Norman Tebbit launches drive to win control of Labour dominated inner cities. Cecil Parkinson glad to be back - he nearly got DHSS. Leader hopes Norman Tebbit will recover his appetite for politics in a couple of years or so.

Mirror: Tebbit's battle for inner cities. Leader says you were right to let Cecil Parkinson go into the wilderness for four years. It is no surprise that his star shines brightly "when set against such a lack lustre and servile Cabinet".

Today leads with "Davids set to fight it out" - they are on collision course over a merger. If Owen loses and parties merge, he will quit as SDP leader; if he wins Steel will go.

Inside Today report "Thatcher's facelift for inner cities. Lord Young leads blitz to lure back industry. Today leader headed "Maggie's Yes Men" says every one promoted is a through and through Thatcherite yes man in no danger of raising opposition to your demands. It bemoans sacking of Biffen and the fact that Heseltine remains in the cold.

In a feature article David Steel says that only a united Alliance has the capacity to draw together opposition to Thatcherism.

Daily News leads with Steel wanting an SDP/Lib merger and quoting Roy Jenkins' and David Alton's support. Inside its main political story is "Tories (ie Young and Clarke) in tandem to tackle inner cities". It says John Moore is likely heir apparent and forecasts Nicholas Lyell will become Solicitor General.

Daily News leader says the most encouraging appointments are the Young/Clarke combination. They make a strong team and face an enormous task.

Express leads with storm over Steel's Alliance merger proposal. Both Owen and Cartwright refuse to back rush.

Inside the Express quotes Norman Tebbit as talking you into a June 11 poll and predicting a 96 majority. Peter Walker denies he has been "exiled" to Wales.

Express leader says now that the election dust is starting to settle, the full impact of your "gigantic" third term victory is being felt by the Opposition parties. There is a growing realisation that the success of Thatcherist populism could dominate politics for a whole generation. The result is confusion in the Opposition parties.

Page feature on Cecil Parkinson which says his journey back to the Cabinet owes quite a bit to charm.

Mail leads with "Owen faces the big freeze" - the savage Alliance inquest threatens to leave Owen without a party or political future. Liberals don't want him. It also says that Hattersley is believed to be thinking of leaving politics.

Inside Mail says you were stopped by your advisers from giving Cecil Parkinson DHSS.

Mail leader headed "A Cabinet which means business" first salutes Norman Tebbit's contribution and decision and then says your Cabinet changes show a veteran's sureness of touch. Peter Walker's appointment is imaginative, not insulting to Wales. The next leader might come from Moore, Clarke or Major.

In another leader on the NHS, the Mail says the only way to reform the NHS is to expose it to competition - which is easier said than done because it is such a sacred cow. It advocates the NHS being identified as a separate tax charge on individuals.

Telegraph leads with "SDP angered by Steel call for merger". Donald Dewar calls for devolution and dropping of community charge in Scotland. Big back page feature on Lord Hailsham's career. It thinks John Moore is the ideal candidate for the "businesslike" approach to the NHS.

Telegraph describes John Wakeham's appointment as a strategist replacing a rebel. On the same page it sees Lord Young spearheading inner city revival; and says Left is gunning for Kinnock.

Telegraph leader on "The term ahead" says the next 12-18 months will be the crucial part of your third term. Only if that time is used to attack existing problems in society will you be able to avoid later defensiveness. The reshuffle has displayed such an approach.

Guardian leads with "Owen to fight talks on merger"; Jenkins backs Steel's call for fusion. It says you are certain to be more ruthless today in reorganising junior ranks.

Guardian leader headed "A soft hearted and tired reshuffling" says it was less dramatic than we had been led to expect. The man to watch is John Moore.

Ian Aitken, in Guardian, says the reshuffle is testimony to the change of image you are intent on giving your Government.

Independent feature on future of the Labour Party says Kinnock could march straight into a minefield over proposals for an overhaul of the party power structure, which would effectively neuter the Left. It appears that Mr Kinnock now has ambitions to rule the Labour Party with Thatcherite discipline, but the leadership would be foolish to think that plans for reform would be a walkover. The Left would resist, and there is then every risk that the right, too, would join the full-scale conflict.

Independent adds that (1) Ministerial colleagues believe that Lord Young will take over the party chairmanship from Mr Tebbit after the annual conference this year, leaving Mr Clarke in charge of DTI; (2) David Waddington's appointment as Chief Whip will be seen as a determined effort by the Prime Minister to put right-wing firmly in charge of the Whips Office; (3) Sir Michael Havers may be keeping the woosack warm for Sir Geoffrey Howe.

Independent claims reshuffle signals war on extremism and attempts to boost Tories in North; Tory Party chairman will lead a parallel drive to revive support for the party in the North.

Independent leader says you moved faster and harder than expected to signal the mood of your third administration. Yet the degree of radicalism as opposed to radical rhetoric to be demonstrated over the next four/five years remains open to question. Political sensitivity as well as cold logic will be needed if enterprise culture is to be sold to the urban underclass which has done worst out of eight years of Thatcherism.

Times leads with "Steel makes surprise bid to lead Alliance". He dramatically seizes initiative from Owen who, if he opposes merger, will hardly be in a position to challenge for leadership.

Promotion of John Moore and recall of Cecil Parkinson are deliberately designed by you to give Conservative Party the opportunity to choose a successor in your own image (Times).

Times says Derek Fatchett, Jack Dromey and John Carr may not be household names, even in Labour Party, but last night they emerged as key figures in the untold tale of how the hard Left was effectively silenced during the General Election.

Times also reports Government and Conservative Party in twin-drive to tackle inner city dereliction with Lord Young and Kenneth Clarke's additional responsibilities, and Norman Tebbit saying Central Office would be reorganising the party in these areas.

Times leader discusses Cabinet re-shuffle saying all in all these are realistic changes which are directed at the right priorities - finding practical solutions for clear and defined problems. Your Cabinet changes are a response to the electorate's complaints that the Government should do better with regard to unemployment and the dereliction of inner cities, health and education.

A second leader in Times says the election result raises some strategic economic issues. The Government should not spend its way out of trouble in Scotland, Wales and the inner cities. The

solution does not lie in protecting Scottish workers from the economic fact of life by keeping open Ravenscraig or increasing still further the level of public spending per head in Scotland above that in England. Nor is the answer to inner city decay increasing the level of rate support grant to left wing councils. The answers lie in the more painful business of changing institutions to allow more choice, more competition, more incentives and more effective use of resources.

FT: Thatcher's reshuffle heralds change in Government priorities. Reviews of the approaches to agriculture and health will follow further ministerial changes over the next day or two. Leader says your new Cabinet looks like an interim affair, consolidating much of what had gone before while leaving the way open for more radical changes to come.

FT: Tory aim to restore support in cities. New policy drive to regenerate inner cities will be accompanied by Party campaign to re-establish its political power.

OTHER NEWS

Reagan expected to announce US/USSR INF negotiations in broadcast tonight.

Treasury and Civil Service Unions meet today on dispute; new pay offer expected.

Times says teachers' leaders accept that size of Government's majority means they have lost battle for restoration of negotiating rights. They will concentrate instead on defending state education against privatisation.

Price of property in Inner London has doubled in last three years.

CBI survey shows British sales managers are worst paid in Europe.

Telegraph devotes a whole page to the crisis in British science.

Times: Employment in North Sea oil industry expected to rise dramatically during summer months as companies carry out their most ambitious maintenance programmes.

Times: Survey shows that cuts in income tax have set off a boom in bonus schemes for top executives and directors.

FT: Dale Campbell-Savours is to ask Home Secretary to set up an inquiry into the appointment of former Met Police Officers to the security company Control Risks.

Times: Draft report recommends tougher powers for Bar Council to tackle complaints about barristers.

Times: Home Office accused of failing to make efficient use of open prisons in struggle to relieve overcrowding in jails.

Sun exposes sales practices of Everest double glazers - liars, cheats and bullies.

TV engineer who claimed £92,000 in Zeebrugge overtime agrees to take only £20,000.

Mirror leads with claim that parents of dying youth were asked to pay £220 for ambulance trip to hospice; it announces as a permanent feature a hotline for readers to report injustices - its leader says that with the Conservatives returned the neglect will go on.

Despite Government's £4m "Heroin Screws You Up" campaign, there is an unexpected rise in number of people injecting heroin.

Office of Health Economics report says Britain continues to lag behind other Western European countries in its spending on health services - Times; 25 US hospitals mount recruitment drive in London for nurses. Salaries will be almost three times more than those paid by health service.

Ford to leave South Africa.

Major storm blowing up in USA over Reagan's decision to escort Kuwaiti tankers through Gulf; fears of USA becoming involved in fiasco.

Mirror asks whether Terry Waite is a pawn of Ayatolla Khomeini.

Alfonsin claims that USA is "permanently bothered" by Falklands dispute.

IRAN

Times: Britain moving nearer to break with Tehran.

SRI LANKA

Times: Sri Lankan Government release more than 1,000 detained as suspected guerrillas.

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