



Political Notebook by George Pascoe-Watson

Forget talk of a Morecambe and Wise of British politics - the governing coalition will be a three-in-a-bed affair with David Cameron, Nick Clegg and George Osborne at the helm.

Prime Minister Mr Cameron, deputy Mr Clegg and new Chancellor Mr Osborne will have to work as a trio to ensure this five year government stays on the rails.

The early signs are healthy.

Chemistry between Mr Cameron and Mr Clegg is already strong despite the jokes the Tory leader has enjoyed at the LibDems' expense in recent years.

Their dual performance in the Rose Garden of 10 Downing Street on Wednesday proved these two men can see a new political era ahead of them.

I am told Mr Cameron saw the coalition with Mr Clegg as an opportunity to rewrite political law and to forge an historic change.

I foresee a new alliance between two men determined to take the vital centre ground in British politics and the bulk of their two parties in support.

But there are already those on the right of the Conservative Party who are deeply opposed to the amount of power handed to the LibDems and the Tory policies already dumped as "not wanted on the voyage".

They are already muttering darkly about the feasibility of the new coalition and many cannot wait to see it collapse.

Ultra right-wingers are keen for the relationship to collapse and for Mr Cameron to carry on with a minority Conservative government.

I believe they will remain on the sidelines, their anger swept aside for the time being by more pragmatic ministers and advisers keen to enjoy the trappings of power.

Chancellor Mr Osborne, however, is a crucial player in where the power lies.

His relationship with Mr Cameron must be understood and has often been misrepresented in recent months.

Mr Osborne has been responsible for many of the smart decisions the Tories have made under Mr Cameron's leadership.

He made the call to offer a rise in the threshold for inheritance tax - a clear vote winner which helped to stop Gordon Brown call an early election in 2007.

He was also the man who persuaded big business CEOs to condemn Labour's national insurance rise - the "jobs tax" - which helped the Conservative election campaign.

I reported in last week's Political Notebook that Mr Osborne will work from 11 Downing Street in an office adjoining the PM's.

He will not become a prisoner of the Treasury's mandarins and will demonstrate he is a fundamental part of the new governing trio alongside Mr Cameron and Mr Clegg.

Mr Osborne is central to the relationships at the top of government and how this coalition will work.



The first signs of this important geographical positioning will be seen shortly.

Mr Osborne will announce details of his Office of Budget Responsibility within days.

A serious international and independent figure will be appointed to run it.

The Chancellor and his team are already working on an emergency Budget for the first week in July.

How to tackle the deficit will be the number one item on the coalition agenda.

Vince Cable has been quick to turn down the chance of working as Mr Osborne's deputy in the Treasury, plumping for business secretary instead.

His relationship with Mr Osborne is poor, at best, and he was smart enough to dodge the bullet of making the cuts needed to balance Britain's books.

That tough role falls to David Laws, a LibDem so right wing he was long wooed by Mr Cameron as a potential "switcher" to the Conservatives in recent years.

But they must also prepare for the G8/20 summit in Toronto at the end of June.

Taxes are certain to rise.

The Insititute for Fiscal Studies's warning on Wednesday was clear and must not be ignored.

Taxes will rise far more sharply than anyone had predicted now that Mr Osborne has seen the nation's books at close quarters.

Expect VAT to increase dramatically above the current 17.5% level and it may be extended to goods currently exempt.

The PM's decision to keep Labour's NI increase for employees, whilst dropping it for firms, is another example of the urgent need to raise funds.

Public spending will also suffer an extraordinary squeeze. No wonder many people, including the governor of the Bank of England, have warned there could be riots on the streets as a result.

Capital Gains Tax will also rise to crippling levels for those selling second homes, but-to-let properties, shares and other investments.

Hundreds of thousands of people will be hit by this dramatic change. There are many who depend on these investments for their pensions.

No wonder estate agents are already reporting a surge in customers trying to offload their second properties before an end to their 18% tax level is announced.

Changes will come thick and fast once the whole government has been appointed, with advisers, by the end of this week.

Plans to move the weekly Prime Minister's Questions session to Thursday and to extend it to 45 minutes are in train.

There will be one government chief whip - Patrick McLoughlin - to push through the administration's legislation.

But LibDem ministers will be allowed to abstain on questions of nuclear power, higher education funding and certain other areas.

Many will want to know what happens if the coalition begins to crumble - could there be a general election within five years?

The formula means that 55% of MPs must call for a dissolution of Parliament but none of the parties can command

this number on its own.

Even a LibDem deal with Labour would be insufficient to hit the 55% mark and so, on the face of it, it's hard to see how there could be an election before May 2015.

But this is Britain and our unwritten constitution would almost certainly find a way to accommodate the collapse of the coalition.

There will be many puzzling contradictions to be ironed out.

New culture secretary Jeremy Hunt will almost certainly take responsibility for broadband away from the department of business.

Mr Cameron remains in control of his Cabinet and would almost certainly be able to sack and appoint ministers at his whim - although Mr Clegg would recommend a successor from the LibDems if one of his men gets axed.

The new PM's first act was to take a welcome call from US President Barack Obama which ensures the Special Relationship will endure.

New foreign secretary William Hague flies to Washington tomorrow for key talks and will thrash out details of Mr Cameron's first visit to the White House whilst there.

But the PM's first duties will be to travel to the capitals of Scotland, Wales and Northern Ireland demonstrating he plans to rule for the whole of the country, not just England.

New education secretary Michael Gove wasted no time in dumping the title of Children, Schools and Families.

He's now in charge of the Department for Education.

Fifteen more LibDems will be appointed junior ministers today ensuring that one third of Mr Clegg's MPs are in the government.

This will be hard to take for many Tories, especially those whose careers are halted by the coalition.

Dozens of shadow ministers are currently sitting by the phones waiting to be called into government. By the end of today we should know who has crossed into power, and who's fallen at the last fence.

Tory staffers in Conservative Party HQ are sitting around waiting to be summoned to new posts - or be handed their P45.

Politics remains a brutal world where young men and women have worked round-the-clock for months with absolutely no guarantee of a job in government.

The coalition means many who would have made the transition will now be left jobless as their shadow ministers are replaced by LibDems in government posts.

Mr Cameron has been swift to move his powerful policy and strategy unit into number 10, led by Steve Hilton.

James O'Shaughnessy will work with Mr Hilton and Oliver Letwin on policy aided by Oliver Dowden and Tim Chatwin.

My old Sun colleague Andy Coulson will be director of communications and Gabby Bertin the PM's day-to-day press secretary and gatekeeper.

Huge experience is brought by Henry Macrory, one of the wisest heads around Mr Cameron, who will continue to be a political briefer to lobby correspondents.

And Steve Field, a Treasury official with a first class brain, becomes the PM's official spokesman in charge of briefing the Lobby twice a day.

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