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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 8 NOVEMBER 1979
at 10.30 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

Hon William Whitelaw MP
Secretary of State for the Home Department

The Rt Hon Lord Hailsham
Lord Chancellor

Hon Lord Carrington
Secretary of State for Foreign and
Commonwealth Affairs (Items 1-3)

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon Francis Pym MP
Secretary of State for Defence

Hon Lord Soames
President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

Hon Sir Ian Gilmour MP
Privy Seal (Items 1-4)

The Rt Hon Peter Walker MP
Minister of Agriculture, Fisheries
and Food

Hon Michael Heseltine MP
Secretary of State for the Environment

The Rt Hon George Younger MP
Secretary of State for Scotland

Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon Humphrey Atkins MP
Secretary of State for Northern Ireland

Hon Patrick Jenkin MP
Secretary of State for Social Services

The Rt Hon Norman St John-Stevas MP
Chancellor of the Duchy of Lancaster

Hon John Nott MP
Secretary of State for Trade

The Rt Hon David Howell MP
Secretary of State for Energy

Hon Mark Carlisle QC MP
Secretary of State for Education and
Science

The Rt Hon John Biffen MP
Chief Secretary, Treasury

The Rt Hon Angus Maude MP
Paymaster General

THE FOLLOWING WERE ALSO PRESENT

Hon Norman Fowler MP
Secretary of Transport

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong	
Mr M D M Franklin	(Items 2 and 3)
Mr P Le Cheminant	(Items 4-8)
Mr P J Harrop	(Item 1)
Mr R L Wade-Gery	(Items 2 and 3)
Mr P Mountfield	(Items 4-8)
Mr D E R Faulkner	(Item 1)

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THE LORD PRESIDENT OF THE COUNCIL said that he was concerned about a suggestion that proceedings in the House of Commons on the Southern Rhodesia Bill might extend until Monday 12 November, with the result that the Bill would not reach the House of Lords until late on that day. The House of Lords did not have the means of controlling the length of a debate which were available in the House of Commons, and it was important that proceedings in that House should start at the normal time on Monday 12 November if Royal Assent by 14 November were to be assured.

In discussion there was general agreement that proceedings in the House of Commons should be completed as soon as possible, both to ensure the passage of the Bill by 14 November and to avoid uncertainty over the weekend. On the other hand a large number of amendments had already been tabled and others were expected. The Opposition had suggested that it might be preferable for Third Reading to be postponed until Monday 12 November on the understanding that the Bill would receive a Third Reading by 7.00 pm on that day. Although the Opposition leaders could not guarantee the co-operation of their backbenchers, it would help to preserve goodwill if the Government's position could be kept sufficiently flexible for such an arrangement to be considered if progress were unduly delayed.

THE PRIME MINISTER, summing up the discussion, said that the aim would be to take the Southern Rhodesia Bill through all its stages in the House of Commons in a single sitting starting on Thursday 6 November and continuing through Friday 9 November and thereafter for as long as necessary, so that the debate in the House of Lords could start no later than 2.30 pm on Monday 12 November. The Chancellor of the Duchy of Lancaster, in consultation with the Lord President of the Council, the Lord Privy Seal, the Chief Whip and herself, would review the position if untoward events made it necessary to do so.

MENTARY 1. The Cabinet were informed of the business to be taken in the House of Commons during the following week. It was noted that, if an agreement was reached by which proceedings on the Southern Rhodesia Bill were taken in place of the Private Members' Business scheduled for Friday 9 November, that business would need to be reinstated next week; there would be some advantage if it could be reinstated on Thursday 15 November.

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The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that his statement in the House of Commons on 25 October had foreshadowed the presentation to Parliament of a consultative document which would form a basis for discussion at a conference with Northern Ireland political leaders. A draft had been prepared by a Ministerial Group chaired by the Home Secretary (MISC 24) and it had subsequently been approved by the Defence and Overseas Policy Committee on Monday 5 November. The document was now being printed and would be circulated to Ministers for information during the following week; it would be published early in the week beginning Monday 19 November, and a debate in the House of Commons would no doubt follow.

The Cabinet -

2. Took note.

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that it was still unclear whether the Patriotic Front would agree to the transitional arrangements he had proposed. The timing was delicate. A break with the Front would be undesirable during the Enabling Bill's passage through the House of Commons. But Bishop Muzorewa's delegation was becoming impatient. If strong pressure were put on the Front by President Kaunda of Zambia, who had just arrived on a self-imposed visit to London, it was possible that they might agree. Mr Nkomo would probably like to do so, but Mr Mugabe would probably be reluctant. If arrangements had to go ahead without the Front, a Governor would need to go to Rhodesia earlier than otherwise, and elections would take place by about 19 December. In that situation there were reasonable prospects that friendly Governments would support us, but we were likely to have to veto a hostile resolution in the United Nations Security Council. There would be risks involved for British interests; but the dangers of any other policy would be greater.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the outlook in Iran was disturbing. Although the occupation of the British Embassy had now ended, that of the United States Embassy continued; and following the fall of the Bazargan Government there were fears not only for the hostages in the United States Embassy but also for the safety of the United States Charge d'Affaires, who was refusing to leave the Foreign Ministry. If the Iranians now applied oil sanctions against the United States, or against the West generally, a new oil crisis might develop.

THE SECRETARY OF STATE FOR ENERGY said that, if United States vessels were not allowed to load Iranian oil, which should become clear within hours, the immediate effects on world supplies and prices would be limited since only a small proportion of total United States oil supplies were involved and stocks were high. But the position would deteriorate if the oil thus withheld were not made available to others. If British ships were not allowed to load, there would be a shortfall of about 5 per cent in United Kingdom supplies.

The Cabinet -

Took note.

3. THE LORD PRESIDENT OF THE COUNCIL said that earlier in the day the Defence and Overseas Policy Committee, Sub-Committee on European Questions had met under his chairmanship to consider the line which the Minister of Agriculture should take at the forthcoming meeting on 12-13 November of the Council of Ministers (Agriculture). The Sub-Committee had agreed on the Minister's line for the discussion about sheepmeat and about agricultural structure. They had not, however, been able to agree on whether, in view of the continuing refusal of France to allow imports of sheepmeat from the United Kingdom, he should block agreement to proposals dealing with the wine sector.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said the Community had been discussing improvements to the Community's wine regime for more than two years. France and Italy would be the principal beneficiaries. It was common practice in the Agriculture Council for Ministers to make concessions only in return for securing satisfaction on issues of concern to them. The French Government was coming under increasing pressure from the Commission over its illegal actions on sheepmeat and our Community partners would not expect us to agree to the wine package in these circumstances. He was confident that his Italian colleague would fully understand and would indeed do the same if he were in a similar situation. He was resisting strong pressure for the United Kingdom to take illegal action against imports from France, but he would be impossible to explain domestically why we had agreed to a settlement on wine of benefit to France while France was still acting illegally on sheepmeat.

THE LORD PRIVY SEAL said that the wine proposals would help to reduce the surplus of wine and thus to cut the cost of the Common Agricultural Policy. This was an objective which the British Government supported. To veto the package would therefore be against British interests as well as those of Italy whose support would be needed in the forthcoming budgetary discussions at the European Council. At the moment the rest of the Community was unanimous in condemning the French action over sheepmeat: it would be a mistake to run the risk of turning this into a purely Anglo-French battle, and the United Kingdom would lose a great deal of sympathy from her other Community partners if the Minister of Agriculture exercised a veto on the wine package. What happened in the Agriculture Council would affect the general atmosphere within the Community at a time when major British interests were at stake over the Community Budget.

In a brief discussion it was suggested that the best tactics would be for us to prolong the discussion, but to avoid having to exercise a veto, so as not to alienate the goodwill of the rest of the Community.

The Minister of Agriculture should not agree to the wine proposals, but should if necessary say that he was under instructions to refer back before any decision was taken. If the French were to give way on sheepmeat it would be more difficult to withhold agreement on wine, but even in these circumstances it might serve as a useful quid pro quo for some movement by the French on the Community Budget.

THE PRIME MINISTER, summing up, said that the Minister of Agriculture should not agree to the proposals on wine at the Agriculture Council on 12-13 November. He should make it clear that he was under instructions to report back to his colleagues before the United Kingdom could give its agreement. In the event of the French abandoning their illegal action on sheepmeat, she would be willing to consider urgently with the Ministers principally concerned what the Government's attitude towards the wine package should then be.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Minister of Agriculture, Fisheries and Food to be guided accordingly.

4. The Cabinet considered a memorandum by the Chief Secretary, Treasury, C(79) 54, reporting the results of his discussions with other Ministers on outstanding public expenditure issues following the Cabinet's last discussion on this subject. They also had before them a minute dated 6 November from the Chief Secretary, Treasury, to the Prime Minister about expenditure on housing, and a letter dated 31 October from the Chief Secretary, Treasury, to the Secretary of State for Education and Science about expenditure on education.

THE CHIEF SECRETARY, TREASURY, said that, as requested by the Cabinet, he had held separate discussions with the Secretary of State for the Environment and the Secretary of State for Education and Science, about their spending programmes in the last three years of the Survey period. As a result, he had been able to reach agreement on modified figures for their programmes which were set out in his paper. The only remaining outstanding issues were the level of agricultural support (which Cabinet would consider early in December on the basis of a report from an Official Group), the finances of the British Gas Corporation (which would be considered by the Ministerial Committee on Economic Strategy at its next meeting the following week), and the provision to be made for Civil Service manpower, on which the Lord President of the Council would be bringing further proposals to the Cabinet shortly.

In discussion, the figures agreed for the Environment and Education programmes were confirmed. It was noted that in each case, the Departmental Ministers had discretion to make further redistributions within the totals agreed with the Chief Secretary, Treasury. It was also pointed out that the revised totals for public expenditure, annexed to C(79) 54, still assumed that the United Kingdom contribution to the Budget of the European Communities would increase beyond the level implied by a 1 per cent ceiling on Value Added Tax. It was, however, argued that this was a prudent assumption to make at this stage. There would be time to alter the figures in the Public Expenditure White Paper in the light of any decisions on the Community Budget taken at the meeting of the European Council in Dublin at the end of November.

In further discussion, it was suggested that the way in which Cabinet took decisions on major public expenditure issues needed further examination. At present many such decisions were rightly taken bilaterally between Treasury Ministers and spending Ministers. This saved much unnecessary and prolonged discussion in Cabinet. But as a result politically sensitive matters, such as the increase in prescription charges in 1980-81, were not always considered collectively despite their obvious importance. This point should perhaps be reconsidered before the following year's Survey.

THE PRIME MINISTER, summing up the discussion, said that with the exception of outstanding issues on agriculture, gas prices and Civil Service numbers, the Cabinet had now completed its consideration of public expenditure in the years to 1983-84.

The Cabinet -

1. Took note of the figures now agreed for all the public expenditure programmes, as set out in the Annex to C(79) 54.
2. Noted that the outstanding issues on gas, agriculture, and on Civil Service manpower would be resolved, and decisions on the European Budget taken, within the next few weeks.
3. Invited the Chief Secretary, Treasury, to prepare a draft of a White Paper on Public Expenditure in these years, for circulation to the Cabinet in December, and publication in January.

5. The Cabinet considered a memorandum, C(79) 56, by the Chief Secretary, Treasury, setting out the position reached in discussion with the Ministers concerned about the financial requirements of the nationalised industries in the years 1981-82 to 1983-84.

THE CHIEF SECRETARY, TREASURY, said that his memorandum set out briefly the final position reached in bilateral discussions with the Ministers concerned, and in an annex set out the agreed figures for all the industries concerned, with the exception of gas, on which (as the Cabinet had just noted) there were some outstanding issues to be considered by the Ministerial Committee on Economic Strategy at their next meeting. The figures covered the net borrowing by the nationalised industries from all sources. They were necessarily tentative, since they were the net result of much larger flows on current and capital account. The figures for steel, shipbuilding and railways might prove to be optimistic, in view of the trading prospects of those industries.

In discussion, it was noted that the figures for the British National Oil Corporation and the British Gas Corporation might be affected by movements in the world oil price. It was also pointed out that the changes now agreed had the effect of increasing the net lending to the nationalised industries in 1981-82, while postponing reductions until later years. It was also reported that the figures for the Scottish Electricity Boards had not been finally agreed and might need later adjustment.

The Cabinet -

1. Took note of the position reached on the financing forecasts for the nationalised industries in the years up to 1983-84.
2. Invited the Secretary of State for Scotland to discuss with the Chief Secretary, Treasury, the figures for the Scottish Electricity Boards.
3. Invited the Chief Secretary, Treasury, to include the agreed figures for the nationalised industries in the forthcoming White Paper on Public Expenditure, 1981-82 to 1983-84.

STATION
S AND
T EVENTS

6. The Cabinet's attention was drawn to the need to try to correct the tendency of newspapers and broadcasting authorities - not least the British Broadcasting Corporation (BBC) - to fail to observe acceptable standards of accuracy and balance in their reporting of news and current events. Recent examples included the BBC report that morning that gas prices were to be increased by 40 per cent; television reports of protests about cuts in public expenditure; and a story in The Guardian of 7 November about closure plans for branch railway lines.

THE PRIME MINISTER, summing up the discussion, said that there was general agreement that the right approach was not for the Government to mount a generalised attack on standards of accuracy and impartiality in reporting but for Departments to deal case by case with each specific instance of inaccurate or unbalanced reporting as quickly as possible after it occurred. Ministers should satisfy themselves that their Departments had adequate arrangements for vigilant monitoring of the Press and broadcasting media's coverage of matters for which they were responsible, and for ensuring that the appropriate corrective action was taken in each case. The cumulative effect of such action would be to apply constant pressure upon the media to observe acceptable standards of accuracy and balance. This was particularly important in the case of the broadcasting authorities, not only because of the immediacy of the reporting but also because they were under binding formal obligations to comply with certain requirements as to balance and impartiality. Various methods and techniques of corrective action were available; the choice would depend on circumstances in each case. It was also worth remembering that the Government's supporters in Parliament were keen to be kept fully informed on Government policies and actions and to help in presenting them to the public. Ministers should therefore keep in touch with the Chairmen and members of Party Committees working in their fields, and should give whichever assistance was appropriate to the Party organisation to enable it to provide helpful and timely briefing material to Government backbenchers.

The Cabinet -

1. Took note with approval of the Prime Minister's summing up of their discussion.
2. Invited all Ministers in charge of Departments to satisfy themselves that appropriate arrangements were made to monitor Press, radio and television coverage of the affairs of their Departments, and to take immediate steps to correct any cases of inaccuracy or imbalance in reporting as they occurred, informing the Paymaster General in each case.

3. Agreed upon the importance of keeping the Government's supporters in Parliament, and particularly the Chairmen of Conservative Party Subject Committees, fully briefed about developments in Government policies.

ROYCE

7. THE SECRETARY OF STATE FOR INDUSTRY said that, following discussions in a Ministerial Group under the Prime Minister's chairmanship (MISC 22) he had informed the National Enterprise Board of certain changes which the Government proposed to make in their relations with Rolls-Royce. As a result, and as reported in the Press that morning, the Chairman and members of the National Enterprise Board had threatened to resign en bloc. Such a move could be damaging to industrial relations, both in Rolls-Royce and at British Leyland, and it would on the whole be preferable to avoid this outcome if possible. Ways of doing so were under consideration. He would continue to keep the Cabinet informed of developments.

The Cabinet -

Took note.

ICES

8. THE SECRETARY OF STATE FOR ENERGY said that world oil prices were increasing rapidly, even in advance of the forthcoming meeting of the Organisation of Petroleum Exporting Countries (OPEC) in Caracas in December. A number of other major producing countries had already announced increases, and the British National Oil Corporation (BNOC) had increased its prices in order to maintain previous relativities, and in order to avoid making a loss on oil which it bought under existing contracts. There was no ground for complaining of or criticising that decision, which had been taken in accordance with agreed practice; it was unfortunate, but unavoidable, that the British Government would be blamed by other consumer countries for the actions of BNOC.

The Cabinet -

Took note.

Cabinet Office

8 November 1979



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cc Sir K Bevan
 Mr G. Chumley
 Mr. Gray
 Mr. Mansfield

PRIME MINISTER

PUBLIC EXPENDITURE FOR THE LATER YEARS: HOUSING

Cabinet on 18 October invited the Secretary of State for the Environment and myself to agree on a course of public expenditure savings somewhere between Options C and D as described in the Secretary of State's memorandum on rents and subsidies (C(79)44). We have met twice, and agreed on a course which does so.

The Secretary of State has agreed to achieve the reductions in his housing programme which will deliver (net of increases in rebates and supplementary benefit) the following amounts (over and above those previously agreed):-

				£ million 1979 survey prices
<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	<u>Total</u>	
285	395	525	1,205	

Options C and D related to savings in housing subsidies, chiefly from rent increases. The Secretary of State, however, considers that he should have as much flexibility as possible within his future programme. He therefore proposes - and I agree - that he should achieve these savings without commitment to particular levels of rent increase (or subsidy reduction) in the later years, or to any precise division between capital and current expenditure. We shall need to settle at the appropriate time each year the composition of the programme for the following year.

CONFIDENTIAL



R.A.S.
20/11

4. The total net savings thus agreed for the Housing Programme are as follows:-

			£ million
<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	<u>Total</u>
1,422	1,798	2,038	5,258

5. I am sending copies of this minute to the other members of Cabinet and to Sir Robert Armstrong.

EXPENDITURE 1981-82 TO 1983-84: EDUCATION

W J B

you for your letter about the outstanding... the education... the later years. This... you and I and the Secretary discussed them... and then asked our officials to work out a detailed... I am glad to say that I can now accept the proposal... as set out below and I understand that it will also be... table to you.

6 November 1979

Treasury position is that, while we would question some of the... in paragraph 2 of your letter, we recognise that... margin of £130 million a year (with unit costs at... level) may not be adequate to cover the non-... costs which are likely to exist in 1981-82 to... when pupil and teacher numbers are falling. Therefore... difficult to achieve the whole of the reduction... expenditure on schools which I proposed to Cabinet... of £179442). At the same time it may be possible... down the increase in expenditure on non-advanced... education or (in 1983-84 only) on higher education... are shown in the run of figures in paragraph 3 of your... that is to substitute savings on those sub-programmes... of part of the savings on schools. To ease the... generally, I am prepared to reduce the total savings... the Treasury were seeking on education by further sums

£ million, 1979 SP

1981-82	CONFIDENTIAL	1983-84
50	30	30

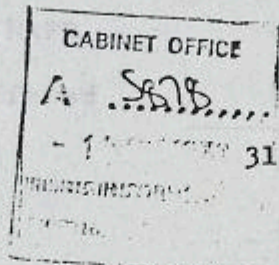
ring you to decide on their distribution between sub-programmes.



RWS

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Mark Carlisle QC MP
Secretary of State
Department of Education
and Science
Elizabeth House
York Road
London SE1 7PH



RWS

*11 Sir K. Bevil
Mr. Uthraiah
Mr. Mansfield
Mr. Harrop*

Dear Mark, copy on 25/15

PUBLIC EXPENDITURE 1981-82 TO 1983-84: EDUCATION

Thank you for your letter of 30 October about the outstanding issues on the education programme for the later years. This morning you and I and the Financial Secretary discussed these matters and then asked our officials to work out a detailed proposal. I am glad to say that I can now accept the proposal which is set out below and I understand that it will also be acceptable to you.

The Treasury position is that, while we would question some of the arguments in paragraph 2 of your letter, we recognise that an operating margin of £130 million a year (with unit costs at the 1978-79 level) may not be adequate to cover the non-transitional costs which are likely to exist in 1981-82 to 1983-84, when pupil and teacher numbers are falling. Therefore it might be too difficult to achieve the whole of the reduction in current expenditure on schools which I proposed to Cabinet (in Annex G of C(79)42). At the same time it may be possible to slow down the increases in expenditure on non-advanced further education or (in 1983-84 only) on higher education which are shown in the run of figures in paragraph 3 of your letter, that is to substitute savings on those sub-programmes in place of part of the savings on schools. To ease the position generally, I am prepared to reduce the total savings which the Treasury were seeking on education by further sums of

£ million, 1979 SP

1981-82	1982-83	1983-84
40	30	30

leaving you to decide on their distribution between sub-programmes.

1.

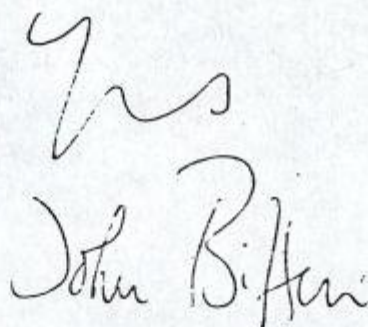
CONFIDENTIAL

Thus, starting from Cmnd 7439 revalued, the position on the "further reductions" proposed in Annex G of C(79)42 is as follows:-

	£ million, 1979 SP		
	1981-82	1982-83	1983-84
Savings proposed in C(79)42	-125	-210	-295
Allowance on account of NAFE	40	70	75
Further allowance now offered	40	30	30
Reduced level of savings	-45	-110	-190
Savings from reducing Assisted Places Scheme	-34	- 40	- 31
Total "further reductions"	-79	-150	-221

With reference to paragraph 6 of your letter, I confirm that you are free to make any adjustments you wish within the total which is now agreed for your programme in each year.

I am sending copies of this letter to the Prime Minister, the other members of Cabinet including the Minister of Transport, and to Sir Robert Armstrong.



JOHN BIFFEN



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