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CC(82) 6th
Conclusions

COPY NO 79

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on

THURSDAY 18 FEBRUARY 1982

at 10.00 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the Home Department

The Rt Hon Lord Carrington
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Sir Keith Joseph MP
Secretary of State for Education and Science

The Rt Hon James Prior MP
Secretary of State for Northern Ireland

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

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Humphrey Atkins MP
Lord Privy Seal

The Rt Hon John Biffen MP
Secretary of State for Trade

The Rt Hon Norman Fowler MP
Secretary of State for Social Services

The Rt Hon Baroness Young
Chancellor of the Duchy of Lancaster

The Rt Hon Norman Tebbit MP
Secretary of State for Employment

The Rt Hon Lord Hailsham
Lord Chancellor (Item 5)

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

The Rt Hon Francis Pym MP
Lord President of the Council

The Rt Hon John Nott MP
Secretary of State for Defence

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry

The Rt Hon David Howell MP
Secretary of State for Transport

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

The Rt Hon Nigel Lawson MP
Secretary of State for Energy

The Rt Hon Cecil Parkinson MP
Paymaster General

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THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Michael Havers QC MP
Attorney General (Item 5)

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong	
Mr R L Wade-Gery	(Items 2 and 3)
Mr P L Gregson	(Item 4)
Mr D J S Hancock	(Items 2 and 3)
Mr D H J Hilary	(Items 1 and 5)
Mr L J Harris	(Items 1 and 5)
Mr W Moyes	(Item 4)

CONTENTS

PARLIAMENTARY AFFAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons during the following week.

Kincora House

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that he intended to make a statement in the House of Commons that afternoon about the allegations of criminal sexual misconduct made against persons employed at or otherwise connected with the Kincora House boys' home in Northern Ireland. The accusations now being investigated by the police included suggestions that security in the Province might have been compromised by the use of blackmail against those concerned. He proposed to announce that the Government intended to set up a public inquiry under a High Court judge once the police had completed their investigations into the alleged offences and any subsequent criminal proceedings had been concluded. The precise form of the judicial inquiry would be decided at a later date. The Chief Constable of the Royal Ulster Constabulary (RUC) would also invite Her Majesty's Chief Inspector of Constabulary to arrange for another Chief Constable to investigate the handling of the affair by the RUC.

The Cabinet -

Took note.

FOREIGN AFFAIRS

El Salvador

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that, as Parliament had been informed the previous day, Britain had agreed to send observers to the forthcoming elections in El Salvador. This decision would be criticised by the left, both at home and abroad, but on balance it had seemed the right course to take in difficult circumstances. It would be particularly welcome to the Americans, who were feeling increasingly isolated over the problems of Central America and indignant at what they saw as their allies' inability to understand the significance of what was happening there. It was quite possible that the observers' findings would be critical of the conduct of the elections. The Americans accepted this, but remained keen that they should come.

Zimbabwe

Previous Reference CC(81) 14th Conclusions, Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that he would be visiting Zimbabwe the following week. It was not at all clear why the Prime Minister, Mr Mugabe, had decided at this particular moment to dismiss from his Government his main coalition partner, Mr Nkomo. It had been widely known for some time that the former military wing of Mr Nkomo's party, the Zimbabwe African Peoples Union (Patriotic Front), had a number of clandestine arms caches. Although it seemed unlikely that Mr Nkomo and his followers were in fact plotting a coup d'etat with the white settlers' Republican Front party, Mr Mugabe might perhaps have persuaded himself that this was happening. But having publicly accused Mr Nkomo of such plotting he might well now feel obliged to put him on trial. If he did so, there could be a dangerous reaction from Mr Nkomo's Ndeble supporters, who made up 20 per cent both of Zimbabwe's population and of the national army.

Arab/Israel

Previous Reference: CC(82) 2nd Conclusions, Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that reports reaching the United States Government had convinced them that there was an acute danger of the Israelis attacking southern Lebanon in an attempt to deal once and for all with the Palestine Liberation Organisation. Britain was involved in the steps which were therefore being taken to dissuade Arab states in the area from any action which could provide the excuse for such an attack.

China

Previous Reference: CC(81) 15th Conclusions, Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that despite Press reports it seemed unlikely that the Chinese leader Mr Deng Xiaoping was in process of being removed from power. At the age of 77 it was natural that he should be limiting his activities, but he still seemed to be very much in control of policy.

The Cabinet -

Took note.

COMMUNITY AFFAIRS

Council of Ministers (Economics and Finance) 15 February

Previous References: CC(81) 41st Conclusions Minute 3 and CC(82) 4th Conclusions Minute 2

3. THE CHANCELLOR OF THE EXCHEQUER said that the meeting of the Council of Ministers (Economics and Finance) on 15 February had not reached substantive conclusions. They had discussed the possible further development of the European Monetary System and planned to have another discussion before the meeting of the European Council at the end of March. The Council (Economics and Finance) had also discussed United States interest rates and it had been agreed that the Belgian Prime Minister should express the Community's concern during his visit to the United States.

In discussion it was suggested that the main element in the United States budget deficit, which was causing the high interest rates in the United States, was the high level of defence expenditure. As the European countries were not willing to share that burden, they were not in a good position to object to the consequences for interest rates. On the other hand, it was pointed out that the effect of United States economic policy on interest rates was a consequence of their failure to put up taxes.

Council of Ministers (Agriculture) 15-16 February

Previous Reference: CC(82) 5th Conclusions, Minute 3

THE MINISTER OF AGRICULTURE said that the Council of Ministers (Agriculture) had held its first discussion on the Commission's price proposals on 15-16 February. The Germans had been remarkably silent, although they had attacked the Commission proposal to revalue the Green Deutschemark. The others, with the exception of the United Kingdom, had all wanted price increases higher than those proposed by the Commission. At the end of the meeting the Presidency had announced a further meeting of the Council at the end of March when it would coincide with the European Council. A reporting telegram from Brussels had indicated that this might have been an accident, but the Minister's impression was that the Belgian Presidency had made the arrangement deliberately in the hope of resolving the budget and agricultural problems at the same time. There was a risk of demonstrations at the March meetings because the French Minister of Agriculture had encouraged French farmers to demonstrate. A further interesting development was that the French Minister had said that France would not agree to further enlargement of the Community until solutions had been found to the problem of Mediterranean products.

The Cabinet -

Took note.

INDUSTRIAL AFFAIRS

British Rail

Previous Reference: CC(82) 5th Conclusions, Minute 4

4. THE SECRETARY OF STATE FOR TRANSPORT said that, following lengthy negotiations the previous day under the auspices of the Advisory, Conciliation and Arbitration Service, all the parties to the rail dispute and the General Secretary of the Trades Union Congress had signed an agreement on the terms for implementing the proposals of the Committee of Inquiry chaired by Lord McCarthy. The agreement stated that the trades unions accepted that no matter was in principle ruled out of the further negotiations which were to take place. On that basis the British Railways Board had agreed to pay the outstanding 3 per cent from the 1981 pay settlement and the Associated Society of Locomotive Engineers and Firemen (ASLEF) had agreed immediately to call off their industrial action. Although the Chairman of the British Railways Board, Sir Peter Parker, considered that there was now a basis for fruitful negotiations with ASLEF, it remained to be seen whether this was indeed the case. Any comment by the Government on the outcome might best be confined to emphasising that improved productivity was essential to the future of the railways and that it was therefore important that the proposed further negotiations should succeed.

The Cabinet -

1. Took note.

London Transport Fares

Previous Reference: CC(82) 4th Conclusions, Minute 1

THE SECRETARY OF STATE FOR TRANSPORT said that London Transport (LT) trade unions had voted unanimously the previous evening for a one-day strike in protest at the increase in fares planned for 21 March; the date of the strike had not yet been settled. The Leader of the Greater London Council (GLC) had sought to give the impression in the media that both the proposed increase in fares and the substantial increase in the GLC rate precept were direct results of the House of Lords' judgment.

THE PRIME MINISTER, summing up the discussion, said that the real reasons for the increase in the GLC rate precept should be made clear urgently to the public. It was due in part to the GLC's decision to clear next year the deficit which LT had incurred through operating the low fares policy, and a continuation of that policy would have led to an even greater increase in the precept. The increase was also partly attributable to extravagant policies pursued by the GLC in areas other than transport.

The Cabinet -

2. Invited the Secretary of State for Transport, in consultation with the Secretary of State for the Environment and the Paymaster General, to ensure, as a matter of urgency, that the real reasons for the planned increase in the GLC rate precept were made clear to the public, on the lines indicated in the Prime Minister's summing up.

Teesside Dock Strike: Effect on Thames Barrier

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the dock strike at Teesside meant that certain gates for the Thames Barrier could not be loaded. If this action continued there would be a critical delay in completion of the barrier and the flood risk next winter (by when the sea walls downstream from the barrier would be complete) would be dangerously increased. It was for consideration whether, and if so how, pressure could be brought, on grounds of danger to the public, for the release of the gates. The question whether it would be feasible and desirable to use troops to load the gates would also need to be explored.

The Cabinet -

3. Invited the Minister of Agriculture, Fisheries and Food, in consultation with the Secretary of State for Employment and other Ministers concerned, to submit urgently a paper to the Ministerial Committee on Economic Strategy on the effects of the Teesside dock strike on the Thames Barrier and on the options open to the Government.

De Lorean

Previous Reference: CC(82) 5th Conclusions, Minute 4

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that he expected to make a statement about the future of the De Lorean company in the course of the next few days. He was seeing Mr De Lorean later that morning. Unless Mr De Lorean was able to tell him that new sources of finance were immediately available to the company, the directors would be obliged to announce that they could no longer continue trading. In that event, the Government would appoint Sir Kenneth Cork as receiver, and the company would go into receivership that afternoon. Sir Kenneth Cork would probably then make a statement saying that in his view the company could survive if reconstructed, and that in the interests of the creditors and the workforce he would attempt to sell it as a going concern. In the meantime, the receiver was confident that finance could be raised from the banks to enable the company to continue on a care and maintenance basis without further recourse to Government funds. It might, however, be suggested that the Government should take over the company's premises and other fixed assets to clear the outstanding loans of £21 million at present secured on them. He would not commit the Government to any such arrangement without further consideration and consultation with the Chief Secretary, Treasury, and other Ministers concerned. He would not be prepared to accept any suggestion from Mr De Lorean that the directors should be given further time to raise finance to enable the company to continue trading in its present form.

THE PRIME MINISTER, summing up the discussion, said that it was clear that the previous Administration's decision to support the De Lorean Company's Belfast operation from public funds had been a serious mistake. It was important that there should be an independent valuation of any assets offered to the Government in discharge of all or part of the existing loans. Although every effort should be made to minimise the loss to public funds, it would be presentationally unfortunate if the Government were seen to accept assets whose market value was well below the level of the debts they were intended to cover. The need to protect the interests of the other creditors as far as possible should also be borne in mind.

The Cabinet -

4. Took note.

RECOVERY OF HOSPITAL COSTS FROM ROAD TRAFFIC ACCIDENTS

Previous Reference: CC(81) 38th Conclusions, Minute 5

5. THE SECRETARY OF STATE FOR SOCIAL SERVICES said that at their meeting on 26 November 1981 the Cabinet had approved in principle a proposal to recover from motor vehicle insurers the cost of treating victims of road accidents under the National Health Service. They had invited him to bring forward a detailed scheme for consideration, and had agreed that in the meantime the potential savings should not be included in the published public expenditure figures. His scheme had been considered by the Home and Social Affairs Committee on 2 February. To avoid the problem of 'no fault' liability which had led to the rejection of earlier proposals, he suggested that costs should be recovered from the insurers as a block sum equivalent to the estimated cost to health authorities of treating victims of road accidents in the previous year. Legislation would provide for the total to be allocated between individual companies on a basis to be agreed with them; the simplest solution would be for it to be related to the number of vehicles insured by each. Companies would be left free to determine how the charge was to be passed on to their policy holders. The total sum to be recovered in England in 1983-84 was estimated at £88 million, in addition to the £4 million recovered under the Road Traffic Act 1972 from the insurers of drivers who were responsible for accidents causing death or injury. This implied an increase in premiums of between £6 and £8 for each insured vehicle, though some companies might decide to vary the premium increase to reflect their assessment of the risk involved in individual cases. In order to have the scheme in operation by 1983-84, legislation would have to be included in the next Finance Bill. This would mean that the new charge would have to be presented as a tax, and that the abolition of the arrangements under the 1972 Act would have to be dealt with in separate legislation, There were obvious political objections to a new tax which would be levied for the first time in the period immediately before the next General Election, and it would be argued by some of the Government's own supporters as well as by the Opposition and the motoring organisations that motorists were already bearing more than their fair share of the burden of taxation. It would be said that it was wrong to penalise all motorists whether or not they had been involved in accidents which were their fault; and the insurers would resist becoming as they would argue, tax collectors. There would be criticism of the use of the Finance Bill as a legislative vehicle for this purpose. On the other hand, the importance of widening the income base of the National Health Service had been accepted in the recent public expenditure discussions, and the impact on premiums would be very small as a proportion of total motoring costs. The principle of charging for part of the cost of treatment was already included in the 1972 Act. A possible compromise would be for legislation to be deferred until early in the next Parliament. The Home and Social Affairs Committee, while expressing considerable reservations about the principle of the proposals, had accepted that they represented the best way of meeting the Cabinet's remit.

THE ATTORNEY GENERAL said that there were serious objections to the use of the Finance Bill for implementing the scheme. The Finance Bill could be used only for the raising of money by borrowing or general taxation for payment into the Consolidated Fund; it could not be used to finance particular items of expenditure. This meant that the scheme, which had originally been conceived as a means of saving public expenditure, would have to be dealt with in the Bill and the associated Budget Resolutions as a levy on the insurance companies to be paid into the Consolidated Fund. Parliamentary Counsel had drafted clauses which related the amount of the levy to the cost of treatment, but this was likely to be criticised as a transparent device for using the Finance Bill for legislation which would normally be outside its scope.

In discussion, it was argued that the Cabinet had already decided in principle to recover costs from the insurance companies, provided that a workable scheme could be agreed. The proposals in C(82) 3 discharged this remit. The Finance Bill might not be an ideal legislative vehicle, but it would enable the new arrangements to be introduced quickly, and it could not fairly be argued that the Government were in any way attempting to conceal the true nature of the levy. Although the potential savings had not been included in the published public expenditure figures, they had been reflected in the Cabinet's general approach to public expenditure, and it would seriously disrupt orderly financial planning if firm decisions in principle were later to be reversed. The need to present the change in the Finance Bill and in the national accounts as a tax rather than as the recovery of expenditure was a largely technical matter, and should not be seen as a decisive objection to the proposed scheme.

It was argued, on the other hand, that there were serious political objections to raising further revenue for the National Health Service in the way proposed. The insurers were virtually certain to pass the charge on as a flat rate addition to premiums which took no account of the age, experience or accident record of individuals. They would place the blame squarely on the Government, with potentially damaging results in the pre-election period. The combined opposition of the insurance companies, the motoring organisations and the rural motoring lobby could lead many of the Government's supporters to vote against the proposals, and it must be doubtful whether they could be carried in their present form. The misuse of the Finance Bill to recover expenditure was open to constitutional objections, and would be an undesirable precedent for the future. If it was necessary to increase revenue to cover National Health Service expenditure, it would be preferable to raise the vehicle excise duty, National Health Service contributions, or some other existing general tax. Further consideration might also be given to ways of ensuring that the maximum receipts were obtained under the provisions of the Road Traffic Act 1972.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet considered that on balance it would be politically undesirable to proceed with the scheme for recovering the National Health Service cost of treating victims of road accidents on the lines set out in C(82) 3. They recognised that this decision had financial implications which would have to be taken into account by the Chancellor of the Exchequer in formulating his Budget proposals. The Secretary of State for Social Services should review the arrangements for recovering accident treatment costs under the Road Traffic Act 1972, and should consider whether it was desirable to take any administrative steps to ensure that they were fully used.

The Cabinet -

1. Agreed not to proceed with the scheme proposed in C(82) 3.

2. Invited the Secretary of State for Social Services to review the arrangements for recovering treatment costs under the Road Traffic Act 1972, as indicated in the Prime Minister's summing up of their discussion.

Cabinet Office

19 February 1982