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19) 26th
Conclusions

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CABINET

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

THURSDAY 20 DECEMBER 1979

at 9.00 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

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

The Rt Hon Lord Hailsham
Lord Chancellor

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

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

Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon Francis Pym MP
Secretary of State for Defence

Rt Hon James Prior MP
Secretary of State for Employment

The Rt Hon Sir Ian Gilmour MP
Lord Privy Seal

Rt Hon Peter Walker MP
Secretary of State for Agriculture, Fisheries and Food

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

Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

Rt Hon Humphrey Atkins MP
Secretary of State for Northern Ireland

The Rt Hon Patrick Jenkin MP
Secretary of State for Social Services

Rt Hon Norman St John-Stevas MP
Secretary of State for the Duchy of Lancaster

The Rt Hon John Nott MP
Secretary of State for Trade

Rt Hon David Howell MP
Secretary of State for Energy

The Rt 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

The Rt Hon Norman Fowler MP
Minister of Transport

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

Mr Paul Channon MP
Minister of State
Civil Service Department (Items 4-6)

Earl Ferrers
Minister of State, Ministry of Agriculture,
Fisheries and Food (Item 1)

SECRETARIAT

Mr P Le Cheminant	
Mr P J Harrop	(Items 1, 4 and 5)
Mr R L Wade-Gery	(Items 2 and 3)
Mr P Mountfield	(Item 6)
Mr D M Elliott	(Items 2 and 3)
Mr W N Hyde	(Items 1, 4 and 5)
Mr G D Miles	(Item 6)

CONTENTS

Item	Subject	Page
1	PARLIAMENTARY AFFAIRS	1
2	FOREIGN AFFAIRS	
	Rhodesia	1
	United States	1
	Iran	2
3	COMMUNITY AFFAIRS	3
4	BRITISH LEYLAND	3
5	REPORT ON NON-DEPARTMENTAL PUBLIC BODIES	4
6	STRIKERS AND SUPPLEMENTARY BENEFIT	5

LIAMENTARY
FAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons during the period 14-18 January. Following the acceptance in principle of a recommendation of the Procedure Committee, the House would be asked to agree that it should sit from 9.30 am to 3.00 pm on Friday, 18 January and on subsequent Fridays.

The Cabinet -

Took note.

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2. THE FOREIGN AND COMMONWEALTH SECRETARY said that, after last-minute problems caused by Mr Mugabe's public attitude to the cease-fire arrangements and by the adverse reaction of Bishop Muzorewa, it was now agreed that the final documents of the Conference would be signed by all concerned (including the Lord Privy Seal as well as himself) at Lancaster House on 21 December. The main scene of action would now shift from London to Salisbury. Many problems still lay ahead, particularly as regards the operation of the cease-fire; although Mr Mugabe's military commander, Mr Tongogara, seemed disposed to make it work, Mr Mugabe's own attitude was less clear. But it was satisfactory that Britain had at last been able to lift all sanctions against Rhodesia without provoking counter-action against British interests or the break-up of the Commonwealth.

The Cabinet -

1. Took note and congratulated the Foreign and Commonwealth Secretary and the Lord Privy Seal on their outstanding achievement in the face of so many difficulties.

ed States

THE PRIME MINISTER said that she and the Foreign and Commonwealth Secretary had been most warmly received during their recent visit to Washington and New York. She had made clear to President Carter that Britain would support any United States move to secure a Security Council determination against Iran under Chapter Seven of the United Nations Charter. She had also raised with him the outstanding order of arms for the Royal Ulster Constabulary (RUC), making clear that it would be taken as a major victory for the Irish Republican Army if these arms did not arrive when they would be needed early in 1980. The President had replied that the difficulty lay with the United States Congress, who

would not at present agree to the order being fulfilled. In talking to the United States Secretary for Defense, Dr Brown, she had stressed the importance of more British military equipment being bought by the Americans to counter-balance Britain's large purchases of United States equipment. Here again the main difficulty appeared to be Congressional. Both these subjects would need to be pursued further including the surprising inability of British arms manufacturers to produce suitable weapons for the RUC. Despite these matters, however, the extent of President Carter's goodwill towards Britain was most marked. His recent help during the final stages of the Rhodesian negotiations had been a striking example of this.

THE FOREIGN AND COMMONWEALTH SECRETARY said that it remained unclear what would happen to the United States hostages in Tehran and indeed whose authority their captors would accept. The longer the situation dragged on, the greater the danger of internal disintegration in Iran from which only the Soviet Union would benefit; and the more difficult the position of the United States Government, despite the dramatic rise in President Carter's personal popularity. The Americans seemed to have decided not to try, for the time being, to impose sanctions via a Chapter Seven determination in the Security Council, where they might well not be able to muster the necessary votes. In the absence of such a determination it would not be easy for Britain to agree to various economic and financial steps which had been proposed by the Americans. But France, Germany, Italy and Switzerland seemed ready to take at least some of these steps and it would be difficult not to follow their example. The problem would be further considered later that day at a meeting of the Ministers principally concerned, under the Prime Minister's chairmanship. Britain's position remained uncomfortably exposed, not least because so many of Iran's overseas assets were held in London; and action against the British Embassy in Tehran could not be excluded.

The Cabinet -

2. Took note.

COMMUNITY
AFFAIRSprevious
reference:
C(79) 25th
conclusions,
minute 4

3. THE LORD PRIVY SEAL said that at the 18 December meeting of the Foreign Affairs Council we had blocked agreement on the Commission's proposals for the non-quota section of the Regional Fund because they gave too much to France at the expense of the United Kingdom and were inconsistent with the objective of greater economic convergence as reaffirmed at the Dublin European Council. On Rhodesia, it had been agreed informally in the margins of the Council that the Commission would put forward proposals enabling the Community to give preferential trade treatment to imports from Rhodesia.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that, in the light of Press reports suggesting that the Commission would take no further action for the time being against France despite their illegal restrictions on imports of British lamb, he had spoken that morning to Commissioner Gundelach. The latter had assured him that he had received authority from the Commission to institute further proceedings against France when the European Court resumed work after the Christmas recess if the French had not by then opened their frontiers to British exports. Commissioner Gundelach had also invited him to provide the Commission with an assessment of the financial damages suffered by the United Kingdom as a result of the illegal action of the French. It might not be easy to calculate the losses suffered by producers, but it should be possible to quantify the loss to the Exchequer by reference to the cost of the fat sheep guarantee scheme.

The Cabinet -

Took note.

BRITISH
LEYLANDprevious
reference:
C(79) 25th
conclusions,
minute 2

4. The Cabinet had before them a letter dated 19 December from the Private Secretary to the Secretary of State for Industry to the Private Secretary to the Prime Minister covering both a draft Parliamentary Statement on British Leyland (BL) and a letter, also dated 19 December, from Sir Michael Edwardes, Chairman of BL, to the Secretary of State for Industry.

THE SECRETARY OF STATE FOR INDUSTRY said that following discussion in the Ministerial Committee on Economic Strategy on the previous day he proposed making a statement to Parliament that afternoon indicating that the Government had received the BL 1980 Corporate Plan; a request to provide the necessary funds to support it to the end of the financial year 1980-81; and a letter from the Chairman of BL describing the circumstances in which the BL Board

would abandon the Plan. The Committee had agreed that, given the conditions described in Sir Michael Edwardes' letter, it was prepared to authorise funding for a further year as requested by BL. It would be his intention to make this letter available to Parliament at the same time as he made his statement. If he were then asked what would happen if the Company abandoned the Plan he would make it clear that there would have to be a mixture of closures and disposals of the Company's assets.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet endorsed the decision of the Ministerial Committee on Economic Strategy. They also approved the proposed Parliamentary Statement on BL subject to amendments to take account of the points made in discussion.

The Cabinet -

1. Took note, with approval, of the summing up of their discussion by the Prime Minister.
2. Invited the Secretary of State for Industry to proceed accordingly.

5. THE PRIME MINISTER said that the Government were indebted to Sir Leo Pliatzky for his excellent report on non-Departmental public bodies, on which Ministers had now been consulted. The main lesson was that the Government should take a much more critical attitude to proposals to establish new organisations. There should be early consultation with the Treasury and the Civil Service Department about any proposals for new executive-type bodies; and Ministers should be particularly wary of any proposals to "hive-off" Departmental functions to non-Departmental bodies which tended to be extravagant in staff and expenditure.

The Prime Minister, summing up a brief discussion, said that the Cabinet agreed that the report should be published as a White Paper in the New Year, and that the Government should announce their general endorsement by way of a Written Answer to a Parliamentary Question, which would also summarise the savings so far achieved. The Lord President should undertake a mopping up operation with Departmental Ministers in the autumn of next year, to ensure that decisions had been taken on cases which were still in the pipeline. There should be further reviews of non-Departmental public bodies from time to time, on the lines suggested in the report.

REPORT ON
ON-
DEPARTMENTAL
PUBLIC BODIES

previous
reference:
(79) 14th
conclusions,
minute 4

The Cabinet -

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

STRIKERS AND
SUPPLEMENTARY
BENEFIT

6. The Cabinet had before them a minute from the Secretary of State for Industry to the Prime Minister, dated 28 November 1979, discussing the question of the supplementary benefit paid to the families of strikers, and a minute from the Chancellor of the Exchequer to the Prime Minister, dated 18 December, clarifying the legal position on the payment of tax refunds to strikers. Their discussion and the conclusions reached are recorded separately.

The Cabinet had before them a minute from the Secretary of State for Industry to the Prime Minister, dated 28 November 1979, discussing the question of the supplementary benefit paid to the families of strikers, and a minute from the Chancellor of the Exchequer to the Prime Minister, dated 18 December, clarifying the legal position on the payment of tax refunds to strikers.

THE SECRETARY OF STATE FOR INDUSTRY has advised that he has received the views of the New Committee on Economic Policy of the Ministerial Committee on Economic Strategy on the question of allowing the payment of supplementary benefit to the families of strikers, to date knowledge trade unions to have advanced this view. All the possible measures and their relative merits and their impact on the budget with the colleague's point already covered. The Chancellor of the Exchequer, the Secretary of State for Employment, and the Secretary of State for Social Security have recommended the proposals as being a viable pathway to implement the manifesto commitment to take action on this issue. Apart from considering the proposals themselves, the Cabinet would have to give particular attention to other details to be raised in the Social Security debate on the Social Security Bill, which will take place in the House of Commons on 18 December.

Cabinet Office

20 December 1979

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CABINET

LIMITED CIRCULATION ANNEX

CM(79) 26th Conclusions, Minute 6

Thursday 20 December 1979 at 9.00 am

STRIKERS AND
SUPPLEMENTARY
BENEFIT

The Cabinet had before them a minute from the Secretary of State for Industry to the Prime Minister, dated 28 November 1979, discussing the question of the supplementary benefit paid to the families of strikers, and a minute from the Chancellor of the Exchequer to the Prime Minister, dated 18 December, clarifying the legal position on the payment of tax refunds to strikers.

THE SECRETARY OF STATE FOR INDUSTRY said that there had been several discussions in the Sub-Committee on Economic Affairs of the Ministerial Committee on Economic Strategy on possible ways of altering the payment of Supplementary Benefit to the families of strikers, so as to encourage trade unions to bear a share of the costs. All the possible measures had their own difficulties, and after further consultation with the colleagues most closely concerned - the Chancellor of the Exchequer, the Secretary of State for Employment, and the Secretary of State for Social Services - he now recommended the proposals in his minute as being a suitable package to implement the Manifesto commitment to take action in this field. Apart from considering the proposals themselves, the Cabinet would need to give particular attention to what should be said in the Second Reading debate on the Social Security Bill, which would take place in the House of Commons that afternoon.

In discussion the following main points were made -

- a. Whatever the administrative complexities of adopting another course, it would be wholly inequitable to "deem" that non-unionists received strike pay when quite clearly they would not. Besides providing a source of propaganda for trade union recruitment, such a proposition would be unacceptable to many of the Government's supporters.

b. The concept of reducing the benefit entitlement of the dependants of people who voluntarily went on strike was defensible. Before 1966, it had been generally accepted that the State had no responsibility for supporting strikers or their families, and the entitlement of strikers' families to benefit had been introduced more or less inadvertently. There was now a widespread feeling in the country that the system had been abused, and that a return to something nearer the pre-1966 situation was desirable.

c. Legislation to deal with this subject would be intensely controversial. It would be desirable to avoid additional controversy with the trade unions in the next few months when relations with them would be in a delicate state.

d. It was a proper function of trade unions to provide financial support for their members during strikes. If early legislation were ruled out the Government should nevertheless bring public pressure on trade unions to recognise their responsibilities. The threat of future legislation could provide an effective reinforcement of this pressure.

e. While the Social Security Bill contained powers which could be used to "deem" income not necessarily received, they had not been devised with strikers in mind. There was thus a dilemma. If the powers might later be used to affect the entitlement of strikers' families to supplementary benefit it would be necessary to warn the House, on Second Reading, of this possibility. But if the Government then decided to pursue a different course of action, for which the powers in the Social Security Bill were not appropriate, a great deal of unnecessary controversy would have been caused at an inopportune moment.

f. If the Government did not warn the House of the full implications of the powers sought in the draft legislation, including its potential applicability to strikers' families, they risked challenge about their intentions in the course of debate and might be accused of seeking to act by stealth. Failure to make the legal position clear, therefore, could effectively debar the Government from using the powers in the Bill to support its policies on Supplementary Benefit for strikers. Thus any powers required to support whatever scheme was finally agreed by the Cabinet would have to be taken in fresh legislation.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet had serious misgivings about the package of proposals before them. In particular they were not prepared to accept that non-unionists should be "deemed" to receive strike pay. Further consideration would need to be given to alternative approaches and she would consider how best this might be arranged. As to the Second Reading of the Social Security Bill the Cabinet agreed that the Secretary of State for Social Services should not volunteer the information that the powers it contained could be used to "deem" the receipt of strike pay. They accepted that this meant that the powers could not be so used. If pressed the Secretary of State would be free to say that the Government had no intention of using the powers in the Bill for this purpose.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Secretary of State for Social Services to be guided accordingly.
2. Agreed that it was not their intention to use the powers in the Social Security Bill for "deeming" income for the purposes of determining entitlement to Supplementary Benefit by strikers' families.
3. Agreed that, in any scheme to deal with the problem of strikers and Supplementary Benefit, non-unionists should not be "deemed" to receive strike pay.

Cabinet Office

21 December 1979