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CC(82) 5th
Conclusions

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CABINET

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

THURSDAY 11 FEBRUARY 1982

at 11.00 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 Hailsham Lord Chancellor
The Rt Hon Lord Carrington Secretary of State for Foreign and Commonwealth Affairs	The Rt Hon Sir Geoffrey Howe QC MP Chancellor of the Exchequer
The Rt Hon Sir Keith Joseph MP Secretary of State for Education and Science	The Rt Hon Francis Pym MP Lord President of the Council
The Rt Hon James Prior MP Secretary of State for Northern Ireland	The Rt Hon John Nott MP Secretary of State for Defence
The Rt Hon Peter Walker MP Minister of Agriculture, Fisheries and Food	The Rt Hon Michael Heseltine MP Secretary of State for the Environment
The Rt Hon George Younger MP Secretary of State for Scotland	The Rt Hon Nicholas Edwards MP Secretary of State for Wales
The Rt Hon Humphrey Atkins MP Lord Privy Seal	The Rt Hon Patrick Jenkin MP Secretary of State for Industry
The Rt Hon John Biffen MP Secretary of State for Trade	The Rt Hon David Howell MP Secretary of State for Transport
The Rt Hon Norman Fowler MP Secretary of State for Social Services	The Rt Hon Leon Brittan QC MP Chief Secretary, Treasury
The Rt Hon Baroness Young Chancellor of the Duchy of Lancaster	The Rt Hon Nigel Lawson MP Secretary of State for Energy
The Rt Hon Norman Tebbit MP Secretary of State for Employment	The Rt Hon Cecil Parkinson MP Paymaster General

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ALSO PRESENT

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 (Item 1)
Mr L J Harris (Item 1)
Mr W Moyes (Item 4)

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PARLIAMENTARY
AFFAIRS

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

Lloyds
Bill
Previous
reference:
C(81) 12th
conclusions,
Minute 1

THE PRIME MINISTER said that, as both the Lord President of the Council and the Chief Whip were names at Lloyds, she had agreed to the suggestion made by the Deputy Chairman of Ways and Means that it would be appropriate for her to move the necessary procedural motion in connection with the further consideration of the Lloyds' Bill on Monday 22 February.

Canada
Bill
Previous
reference:
C(82) 1st
conclusions,
Minute 1

THE LORD PRESIDENT OF THE COUNCIL said that it was proposed to move the Second Reading of the Canada Bill on Wednesday 17 February. There might be some criticism of the Government for going ahead before all legal proceedings had been concluded, but the judgment of the Court of Appeal in the case of the Albertan Indians had been clear and there was no reason for further delay. A number of procedural difficulties had arisen, largely because the Bill was in both English and French, but after discussion with the other Ministers concerned and the House of Commons authorities he had come to the conclusion that it would be better to handle the Bill in the normal way without putting down a motion to curtail the scope for amendments. He proposed to move the suspension of the ten o'clock rule to permit all those who wished to do so to take part in the debate. The Speaker was unlikely to call amendments tabled only in French, and would probably give a ruling to this effect before Second Reading. He hoped that the Bill would be passed without undue delay, but it was important that no public commitment should be given to secure Royal Assent by a particular date.

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that the House of Lords authorities had ruled that the Canada Bill would be unamendable in the House of Lords.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Poland

Previous
Reference:
CC(82) 4th
Conclusions,
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that on 12 February he hoped to speak on Poland at the Madrid meeting of the Conference on Security and Co-operation in Europe. It was important to make clear the extent to which the Polish Government were flouting their obligations under the arrangements worked out at the original Helsinki meeting of the Conference in 1975. Thereafter the Madrid meeting seemed likely to be adjourned; Western and non-aligned members of the Conference were moving towards agreement on this, following the provocative tactics adopted on the Eastern side on 9 February when the Polish representative had abused his position as current Chairman and prevented the French Foreign Minister, Monsieur Cheysson, and a number of others from speaking as planned. Meanwhile a statement had been made in Parliament on 5 February about the measures which Britain was taking against both Poland and the Soviet Union in the light of the Polish crisis. The intentions of other Western European countries were not so clear: none had yet made a similar statement. The British statement had been well received in the United States and had served to gain useful credit for measures which were not intrinsically of great significance. Largely thanks to the intervention of the Prime Minister, the Americans now seemed less intent on taking further measures of their own, such as the provocation of a Polish default, which might be damaging to Western interests.

United States

Previous
Reference:
CC(82) 4th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the President of the United States would be visiting the United Kingdom for two days in early June, after the seven-power Economic Summit in France and before the proposed North Atlantic Treaty Organisation (NATO) meeting at Summit level. He would also be visiting Rome. The Germans were disturbed that Bonn might not be included in his itinerary and were, therefore, seeking agreement that the NATO meeting should be on their territory.

South East Asia

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

THE FOREIGN AND COMMONWEALTH SECRETARY said that during his recent visit to South East Asia he had been particularly impressed by the need to expand British exports to the area. Britain at present sold more to Denmark than to all the members of the Association of South East Asian Nations. Indonesia in particular was a large and flourishing market; stability was better than in many parts of the world; and the quality of public administration was now reasonably high, despite the prevalence of corruption in some quarters. In Malaysia, which though a much smaller market was important because of the high level of British investment, the situation was less satisfactory. The Prime Minister, Dr Mahathir, was anti-Western, not in the sense of being pro-Communist but because his admiration for the work ethic of the Japanese made him highly critical of both Europe and North America.

He had refused to end his present discriminatory policy against British firms tendering for public contracts, except where their bids were actually better than all others; but in the view of some observers, including the Prime Minister of Singapore, Lee Kuan Yew, this discrimination could be expected in practice to diminish with time.

THE SECRETARY OF STATE FOR TRADE said that during his recent visit to Japan it had been apparent that the Japanese were well aware of the disquiet which the success of their exports was arousing in Europe and the United States, but it was not clear what remedial action they might be prepared to take. There was no sign, for instance, that they were planning to increase their imports from Europe by liberalising their public sector purchasing policy. Friction between Japan and her Western partners was, therefore, likely to become more severe.

THE CHANCELLOR OF THE EXCHEQUER said that falling world oil prices had forced the British National Oil Corporation to reduce the effective price of North Sea oil by \$1.50 per barrel. In general, reductions in world energy prices were to be welcomed. But there was a danger that any sudden fall in North Sea prices would produce an inconveniently sharp drop in the sterling exchange rate. The Government's income would also be reduced: a price fall of \$2 per barrel would cut North Sea revenue by about £1,000 million in a full year.

The Cabinet -

Took note.

3. THE FOREIGN AND COMMONWEALTH SECRETARY reported that the Sub-Committee on European Questions of the Defence and Oversea Policy Committee had met earlier in the morning to consider the line that the Minister of Agriculture should take at the Council of Ministers (Agriculture) the following week. It had been agreed that the United Kingdom should block the price fixing until the Community had agreed to a settlement of the British budget problem but that the British position on agricultural prices should be justified on agricultural policy grounds and not by an explicit link with the budget issue. In pursuit of this tactical objective the Minister would be arguing for significantly lower price increases than those recommended by the Commission and he would be able to support his case with substantive agricultural policy arguments. He would insist that the rate of growth of agricultural expenditure should be markedly below that of the Community's own resources. The Sub-Committee had also agreed

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

International
Oil Prices
Previous
Reference:
CC(80) 44th
Conclusions,
Minute 2

COMMUNITY
AFFAIRS

Council of
Ministers
(Agriculture)
15-16 February

Previous
Reference:
CC(82) 2nd
Conclusions,
Minute 3

that the United Kingdom should resist the Commission's proposal for a revaluation of the green pound in the context of a lower price increase than that advocated by the Commission; but the matter would need to be looked at again when the level of the likely settlement was clearer. It was probable that any price package sufficient to secure agreement to a solution to our budget problem would result in an average increase higher than the 9 per cent proposed by the Commission. The Minister of Agriculture would be circulating a note to his colleagues showing the effect of alternative price decisions on the cost of particular food products in the shops.

In discussion it was pointed out that real farm incomes had declined by 50 per cent and that a revaluation of the green pound would have a particularly serious effect in the least favoured regions of the United Kingdom. On the other hand, an average price increase of 6-7 per cent, net of the effect of any revaluation, would be sufficient to maintain real farm incomes in 1982. If the increases eventually agreed averaged over 9 per cent, there would, therefore, be a case for a revaluation, and the Government should not say anything that would rule out the possibility of a revaluation as part of the final settlement.

THE PRIME MINISTER, summing up the discussion, said that the conclusions of the Sub-Committee reflected a balance between the various considerations. The United Kingdom should argue for lower price increases than those proposed by the Commission and resist their proposal to revalue the green pound in that context. If the final settlement were higher, the matter should be considered again. The rate of growth of agricultural expenditure should be kept below that of the budget as a whole. In public presentation careful attention should be paid to the effect of the settlement on the price of individual food products in the shops.

THE FOREIGN AND COMMONWEALTH SECRETARY said that it was becoming increasingly clear that the negotiations on the Community budget problem were going to be very difficult indeed. Other member states were not willing to provide the money to meet our case and were showing no sign of shifting their position. He did not agree with the editorial in the Sunday Times on 7 February which had argued that the Government should retreat from its position on the budget.

90 May Mandate
Previous
Reference:
EC(82) 4th
conclusions,
minute 3

United States
Steel Imports

Previous
Reference:
CC(82) 1st
Conclusions,
Minute 3

INDUSTRIAL
AFFAIRS

De Lorean

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

THE SECRETARY OF STATE FOR INDUSTRY reported that the United States administration had not responded at all favourably to representations about the action being taken against imports of steel from the Community which had been made on the Community's behalf by Viscount Davignon of the Commission during a recent visit to Washington. It seemed probable that the action by the United States steel industry would result in a substantial drop in our steel exports to the United States later in the year.

4. THE SECRETARY OF STATE FOR NORTHERN IRELAND said that, if (as seemed likely) the directors of the De Lorean companies asked for the appointment of a receiver, he proposed that the Government, as the Company's largest creditor, should appoint Sir Kenneth Cork, who was already (in association with Coopers and Lybrand) conducting an investigation into the affairs of both the Northern Ireland De Lorean company and its United States parent company. The question might arise whether Government funds should be made available to the receiver to enable him to continue running the Company on a care and maintenance basis, providing work for perhaps one day a week for the remaining workforce, while he sought either to sell or to run down the Belfast operation on the best possible terms. The cost to the Government of supporting the Company on this basis for a maximum period of about six weeks would be in the region of £2.5 to £3.5 million. He was likely to be pressed to make a statement in the House of Commons either the following day or very early in the following week.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that, if De Lorean went into receivership, any initiative for providing further public funds for the Company should come from the receiver himself when he was in a position to assess whether this would enable him to secure better eventual terms for the Government and other creditors. He would normally be expected to try to raise any necessary funds from commercial sources before the Government would consider providing public money for this purpose. Any special measures which might eventually be taken would have to be justified on the grounds that they were in the best interests of the taxpayer. She would arrange a meeting of the Ministers directly concerned at the appropriate time to consider any proposals which might be put forward by the receiver. In the meantime any public or Parliamentary statement should be confined to announcing that a receiver had been appointed.

The Cabinet -

1. Took note that the Prime Minister would arrange a meeting to consider any proposals put forward by the De Lorean receiver.

2. Invited the Secretary of State for Northern Ireland to be guided by the Prime Minister's summing up of their discussion in making any Parliamentary statement, which should preferably be not before Monday 15 February.

THE SECRETARY OF STATE FOR TRANSPORT said that the Amalgamated Society of Locomotive Engineers and Firemen (ASLEF) had refused to give evidence to the inquiry which the Advisory, Conciliation and Arbitration Service had asked Lord McCarthy to undertake, but despite that the inquiry was proceeding and was likely to report on the following Monday or Tuesday. In the circumstances it seemed unlikely that the inquiry would lead to an early resolution of the dispute. ASLEF had announced that one-day strikes would take place on Tuesday 16, Thursday 18 and Sunday 21 February. There appeared to be no support within the ASLEF membership for an escalation of the dispute beyond the continuation of that pattern of one-day strikes. The situation would need to be reviewed when Lord McCarthy's report became available; in the meantime the Government should maintain its stance of not intervening in the dispute.

THE SECRETARY OF STATE FOR ENERGY said that the National Executive Committee of the National Union of Mineworkers was considering that day an appeal from ASLEF to prevent the increased delivery of coal by road to the power stations, but this seemed unlikely to have much practical effect. Deliveries of coal to the power stations had been disrupted by the ASLEF dispute, but measures were being taken with a view to stabilising power station coal stock levels.

The Cabinet -

3. Took note.

THE SECRETARY OF STATE FOR INDUSTRY said that the board of British Leyland (BL) had met the previous day and had decided on the next steps in the handling of the strike in progress at Leyland Trucks. He would keep in touch with the Secretary of State for Scotland about the detailed handling of the matter, because of the special difficulties over Bathgate. The Comptroller and Auditor General would shortly be issuing a report which would criticise BL for failing to make available management documents relating to the disposal of the Bathgate tractor business. It would be desirable to encourage Sir Michael Edwardes to be as forthcoming as possible with the constituency Member, Mr Tam Dalyell MP, in the hope of preventing Parliamentary and local feelings from being further aroused.

British Rail

Previous
Reference:
C(82) 4th
Conclusions,
Minute 4

British
Leyland

Previous
Reference:
C(82) 4th
Conclusions,
Minute 4

The Cabinet -

4. Took note.

Cabinet Office

12 February 1982