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CC(82) 47th
Conclusions

COPY NO 79

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 4 NOVEMBER 1982
at 10.30 am

P R E S E N T

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 Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Francis Pym MP
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 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 Patrick Jenkin MP
Secretary of State for Industry

The Rt Hon John Biffen MP
Lord President of the Council

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
Lord Privy Seal

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
Chancellor of the Duchy of
Lancaster and Paymaster General

The Rt Hon Lord Cockfield
Secretary of State for Trade

SECRET

ALSO PRESENT

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr P L Gregson (Item 4)
Mr D J S Hancock (Items 2 and 3)
Mr A D S Goodall (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.

Immigration
Rules

THE HOME SECRETARY said that, with the agreement of the Lord President of the Council and the Chief Whip, it had been decided to hold the debate on the White Paper on the new Immigration Rules arranged for Thursday 11 November on a take note motion. This would give the Government's supporters a chance to express their views freely, and was in his view preferable to appearing to put pressure on them by putting down a motion for approval of the White Paper. If the Opposition tabled an amendment to the take note motion, it might well be in a form which the Conservative critics of the proposed new Rules would be unable to support.

Previous
Reference:
CC(82) 45th
Conclusions,
Minute 1

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Lebanon

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that a formal United States request for a United Kingdom contribution to the multinational peacekeeping force (MNF) in the Lebanon was likely to be forthcoming shortly, and would probably be backed up by a high level message. The Americans seemed to be thinking in terms of one British battalion. In consultation with the Secretary of State for Defence, he was considering ways of deflecting this request with some form of training offer, which was unlikely to be taken up.

Previous
Reference:
CC(82) 42nd
Conclusions,
Minute 2

THE PRIME MINISTER, summing up a short discussion, said that British forces were already heavily committed overseas in the Falkland Islands, Gibraltar, Hong Kong, Belize and elsewhere. The United States' request, when it came, should therefore be handled in a way which did not result in the contribution of a British unit to the MNF.

The Cabinet -

1. Took note.

Falkland
Islands

THE FOREIGN AND COMMONWEALTH SECRETARY said that the success of the United Kingdom's lobbying against the draft resolution on the Falkland Islands sponsored by the Latin American countries at the United Nations General Assembly had had the result of causing its sponsors to modify the draft substantially. In its revised form it was still totally unacceptable to the United Kingdom, but the language used had a superficial allure for many other countries. Within the European Community, it looked as if France would vote for the Latin American draft and the Federal Republic of Germany would abstain. The decision of the United States

Previous
Reference:
CC(82) 46th
Conclusions,
Minute 1

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Government to vote in favour was particularly damaging and the United Kingdom must now expect the resolution to be carried by a large majority. The vote was to be taken that night. There would be no advantage for the United Kingdom in escalating the disagreement with the United States: the right course would be to play down the significance of the resolution, while making the British Government's objections to it quite clear. Meanwhile the Prime Minister had sent a very sharp reply to President Reagan's message on the subject and he had himself spoken severely to the United States Ambassador.

In discussion, the United States' decision was characterised as contemptible and opportunistic. It meant that, on a fundamental issue of freedom and justice, the United States Government was prepared to put the interests of a fascist dictatorship before those of its closest ally. The effect on public opinion in the United Kingdom would be to sharpen the perception that Britain was dependent on a major ally on whom it could not rely. The fact that the United States and some of Britain's Community partners had taken the opposite side from the United Kingdom at the United Nations was bound to be a major media story. It would not be acceptable to allow the American rebuff to British interests to pass without a British response: friendship was a two-way business and ways must be found of bringing home to the United States Government that the United Kingdom could not simply be taken for granted. As against this it was pointed out that the United States remained Britain's most important ally across the board. Continued close co-operation with the United States Government was an essential British interest; and it would be a mistake to respond to the United States' decision with threats which could not be implemented.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet were agreed that the American decision was unjustified and damaging. It would be wrong either to fail to register the British Government's displeasure or to adopt a threatening response. She proposed, with the Cabinet's agreement, to send a further immediate message to President Reagan spelling out the damage which the American decision would do to the relationship between the two Governments and urging him to reverse it before the vote at the United Nations General Assembly was taken.

The Cabinet -

2. Took note.

THE FOREIGN AND COMMONWEALTH SECRETARY said that consultations between the representatives of the seven Economic Summit countries plus the Presidency and Commission of the European Community were continuing in Washington and that agreement seemed to be nearer. The previous day's public statement on the subject by the Italian Prime Minister, Signor Spadolini, had been unhelpful and it was still not clear whether the paper under negotiation, if agreed, would be sufficient to induce President Reagan to lift American sanctions against European firms. It would not be the fault of the United Kingdom if this outcome was not achieved.

Spain

THE FOREIGN AND COMMONWEALTH SECRETARY reported that news had just been received of the assassination of General Lago Roman, the Spanish Army Divisional Commander in Madrid. As yet few details were available, nor was it known who was responsible. It was too early to assess the implications but the assassination seemed likely to intensify the unease felt in the Armed Forces at the recent election victory of the Spanish Socialists.

Gibraltar

THE FOREIGN AND COMMONWEALTH SECRETARY said that the incoming Socialist Government in Spain had reasserted the Spanish claim to Gibraltar in standard terms. They would not take up office until December and were likely to be heavily pre-occupied with internal problems. It therefore seemed improbable that they would make any early move on Gibraltar. There had been some talk of their interest in re-opening the frontier with Gibraltar in the near future, but similar professions of intent from Madrid in the past had come to nothing. Any approach to the United Kingdom from the new Spanish Government would require careful probing. Meanwhile the British garrison in Gibraltar was being very vigilant.

The Cabinet -

3. Took note.

COMMUNITY AFFAIRS

Anglo-German Summit 28-29 October

3. THE PRIME MINISTER said that her discussions with the new German Chancellor had not achieved much. It was clear that Chancellor Kohl wanted to be seen to be getting on well with everyone but did not wish to negotiate seriously about contentious issues before the German elections planned for March 1983. At the Summit German Ministers had taken a strongly anti-protectionist line but had failed to give any convincing reply when the Prime Minister had pointed out that the Common Agricultural Policy was in itself highly protectionist and that the Community had failed to legislate for free competition for insurance and air fares. Like so many Governments, the new German Government was strongly in favour of free trade except when it suited them otherwise.

Common Fisheries Policy

Previous Reference: CC(82) 44th Conclusions, Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that the Danish Government had approached the German Government to ask them to act as an intermediary and to secure concessions for Denmark. Fortunately, the German Government had refused. The Danish Prime Minister had consequently sent a letter to the Commission asking for concessions on mackerel and licences in the Shetland Box. The Danish Prime Minister had said that without such concessions his Government would fall. The Minister of Agriculture, Fisheries and Food, on learning of the terms of this letter, had spoken to the Commission to ensure that they recognised

that it would be a disaster to try to open up the package agreed among the other nine member states. At the Fisheries Council on 8 November it would be essential to keep the nine member states and the Commission in line. It was probable that the Danish Government would formally say no to the package and that the Council would then decide to consider national measures at their next following meeting on 9 December. The Danish Foreign Ministry had circulated a document to the Danish Parliamentary Committee responsible for Community affairs, pointing out that, if the Commission approved national measures, they would be legally binding and Denmark would not be able to get them set aside by appealing to the European Court. The Danish Parliament now knew that Denmark was in a very difficult position.

Poultry

Previous Reference: CC(82) 41st Conclusions, Minute 2

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that he would be announcing the new health regulations for the import of poultry later in the day. Madame Cresson, the French Minister of Agriculture, had said that the new regulations could not be complied with and that France would appeal to the Commission. The Minister of Agriculture, Fisheries and Food had accordingly spoken to the Commission himself in order to ensure that they were properly informed of the true nature of the French objection which appeared to be trivial.

Local Authority "Buy British" Policy

THE SECRETARY OF STATE FOR THE ENVIRONMENT reported that the Commission were thinking of taking three local authorities to court because they had "Buy British" policies which were contrary to Community law. One, the Birmingham Council, had now apparently agreed to rectify their policies in accordance with the Commission's wishes. But the other two, Doncaster and Kirklees, were Labour controlled and might welcome the opportunity of a confrontation with the Government and the European Commission on this issue. The Secretary of State for the Environment had accordingly called on the responsible Commissioner, Herr Narjes, on 3 November to seek to persuade him to hold his hand until after the General Election. The Commissioner now understood the political point, but it was not certain that he would be able to refrain from taking further action.

The Cabinet -

Took note.

INDUSTRIAL AFFAIRS

Water Industry Pay Negotiations

4. THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the employers in the water industry considered that the trade unions, who had already called a one-day strike on 18 October in support of their pay claim, were likely to contemplate further industrial action. It was clearly desirable that a high settlement should not be considered in the water industry.

The employers' initial thinking was that, at the negotiating meeting on 11 November, they should offer 6 per cent and, in the event of rejection, have recourse to arbitration. There was a strong case for a considerably lower opening offer, say of 4 per cent, and discussions were therefore in progress with the employers about the best tactics to be adopted. There were already contingency plans for use in the event of industrial action and these would be kept under review by the Civil Contingencies Unit, as required, in the normal way.

The Cabinet -

Took note.

The Cabinet's discussion and conclusions are recorded separately.

National
Health
Service
Pay Dispute

Previous
Reference:
CC(82) 45th
Conclusions,
Minute 5

Cabinet Office

4 November 1982

SECRET

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COPY NO 9

CABINET

LIMITED CIRCULATION ANNEX

CC(82) 47th Conclusions, Minute 4

Thursday 4 November 1982 at 10.30 am

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that there was now a good prospect of reaching a settlement with the National Health Service (NHS) nurses and related groups on the basis of proposals embracing both pay and long-term arrangements. He therefore proposed that an offer along the following lines should be put to the Royal College of Nursing (RCN) and the other professional bodies during the course of the following week. First, the Government should announce its intention to consult interested parties about the establishment of a review body for nurses and related professional groups. Informal indications suggested that this proposal would be warmly welcomed by the nurses. Second, as regards pay, the Government had offered in September a settlement for the nurses consisting of 7½ per cent for 1982-83 and 4 per cent for 1983-84. Ministers had envisaged at that time that the offer for 1983-84 might need to be increased to 4½ per cent. He was satisfied following extensive discussions with the professional bodies that an increase in the offer to 4½ per cent would be necessary to secure a settlement. The RCN had argued strongly to him that to secure acceptance by their membership a revised offer should be substantially different from that which had been proposed earlier and rejected. The RCN's strong preference was for a single offer of 12.3 per cent to run from the beginning of September 1982 to 31 March 1984. The Nurses and Midwives Whitley Council was due to meet on 9 November. He sought the agreement of the Cabinet to their making an offer at that meeting of 12.3 per cent as the RCN had suggested. He would simultaneously announce the Government's intention to consult interested parties about the establishment of a review body, making it clear that this proposal was conditional on the acceptance of the revised pay offer. The proposals would be considered later in the same week at the RCN's Annual General Meeting and he had had firm assurances from the RCN and the other professional groups that they would do their utmost to secure acceptance. The professional bodies would wish to consult their memberships, although he hoped to persuade the RCN not to conduct a further ballot. The settlement, if approved, would be concluded at a meeting of the Nurses and Midwives Whitley Council scheduled for 14 December. The trade unions had refused to discuss the offers put forward by the Government in September, and since then there had been no contact between them and the Government. The unions were,

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AFFAIRS---
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however, aware of the prospect of an early settlement with the nurses; and they were also concerned that support for continued industrial action in the NHS was now crumbling. They had therefore approached the Advisory, Conciliation and Arbitration Service (ACAS) earlier that week about the possibility of reopening discussions with the Government; contrary to Press reports, the approach had been entirely at the unions' initiative. ACAS had made clear to the trade unions that there could be useful discussions with the Government only if the trade unions were prepared to accept that the Government would not increase its offer for 1982-83 and to abandon their previous opposition to a differential pay settlement in favour of the nurses. By continuing the discussions with ACAS the trade unions had implicitly accepted these two points, which previously had been of central importance to them. He proposed not to open formal discussions with the trade unions until after the national Day of Action on 8 November; and that the negotiations, which might most appropriately be conducted initially at official level, should be concerned solely with the offers advanced by the Government in September. He would report further to the Cabinet before making any revised offer to the trade unions, although he envisaged that eventually the Government would have to increase its offer for 1983-84 to 4½ per cent, in line with that proposed for the nurses.

THE CHANCELLOR OF THE EXCHEQUER said that the Ministerial Sub-Committee on Public Service Pay had concluded on balance that a review body would be the least unattractive means of determining the pay of nurses and related groups in the future. The Sub-Committee had been firmly of the view that the proposal for a review body should be conditional on acceptance by the nurses and related groups of the proposed revised pay offer. The review body should be required to take account in framing its recommendations of management needs in terms of recruitment, retention and motivation, and affordability; and the implementation of its recommendations would have to be considered in the light of the cash limit and might need to be overridden, should circumstances demand, as was the case with other review bodies. In proposing a review body the Government should make clear that it would be precluded from proposing a "catching up" pay increase on the grounds that the pay levels of the groups within its terms of reference had fallen behind those of other groups; the pay levels in force at 1 April 1984 should be the basis for the review body's future recommendations. The Secretary of State for Social Services would be putting detailed proposals for the review body shortly to the Sub-Committee, including in particular terms of reference and membership. It was important that the details should be settled at an early date. Finally, it was essential that the Government should emphasise publicly that the offer of a review body reflected the special status of the nurses and, in particular, their policy of not taking industrial action; and that the Government would not think similar arrangements appropriate for other groups either in the NHS or elsewhere in the public services.

In discussion there was general agreement with the proposal for a review body for the nurses and related groups. It was, however, argued that the offer should be withdrawn if the RCN were to vote at its Annual General Meeting to reverse its rule against industrial action. The point was also made that the establishment of a review body would significantly reduce the Government's control over that part of NHS expenditure, since it would be exceptionally difficult in practice for the Government to override the review body's recommendations.

In discussion of the proposed revised pay offer the following were the main points made -

a. The industrial relations climate had changed markedly since the Government's last offer was tabled in September. There was now no reason why the Government should actively seek an early settlement with the trade unions, particularly if there were good prospects of a settlement with the nurses. The industrial action in the NHS was crumbling and the Government's main concern should be to bring it to a conclusion at the least possible cost. There was therefore no case for increasing from 4 to 4½ per cent the offer to the ancillaries and other groups in respect of 1983-84. There would thus be a differential in favour of the nurses in 1983-84 as well as in 1982-83.

b. An offer of 12.3 per cent to the nurses, etc albeit for two years, would be unfortunate so early in the pay round, particularly since it followed high settlements for a number of other public sector groups. It would make it extremely difficult for the Government to achieve settlements around 3½ per cent for the generality of the public services. Moreover, such an offer would be uncomfortably close to the nurses' original claim for 12 per cent; and Press comment on it would tend to emphasise its size rather than the fact that it was to last for two years. It would therefore be better for the revised offer to the nurses to be presented as consisting of two components: 7½ per cent for 1982-83 and 4½ per cent for 1983-84. On the other hand, the Government's prime objective was to secure a settlement. The nurses had already rejected a two-instalment offer; if the RCN judged that a single offer was the right approach, the Government should be prepared to accede. It was, in any case, for the Whitley Council, not the Government, to decide exactly how the available money should be distributed. If agreement were finally to be reached on the basis of a single instalment, the Government could emphasise publicly that the nurses had effectively opted for a pay freeze between April and September 1982.

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THE PRIME MINISTER, summing up the discussion said that the Cabinet endorsed the proposal for a review body subject to the conditions suggested by the Ministerial Sub-Committee on Public Service Pay, which were set out in the minute to her of 2 November from the Chancellor of the Exchequer. This was on the assumption that the RCN would not vote at its Annual General Meeting to reverse its existing rule against industrial action; should they do so, the proposal for a review body should be withdrawn. The Secretary of State for Social Services should put proposals urgently to the Ministerial Sub-Committee on Public Service Pay concerning the details of the review body and, in particular, its composition and terms of reference. In doing so, he should consider whether it would be best for the nurses to be brought within the terms of reference of the Doctors and Dentists Review Body or whether a completely separate review body should be established; and if the latter, how far the memberships of the two review bodies should overlap. The Government's intention to consult interested parties about the review body should be announced by the Secretary of State for Social Services on Tuesday 9 November. The Cabinet also agreed that the pay offer to the nurses and related groups in respect of 1983-84 should be increased to 4½ per cent. The Nurses and Midwives Whitley Council should be told that the money available for a pay settlement was equivalent to 7½ per cent for 1982-83 and 4½ per cent for 1983-84. It was for the Whitley Council to decide how this should be allocated over time within the two-year period. If they were to conclude in favour of a single instalment offer, every effort would have to be made by the Government to emphasise publicly that the offer covered two years and that the nurses had in effect opted for a pay freeze between April and September 1982. It was essential that an offer along these lines should not be tabled unless there was a very high probability that it would be accepted by the groups concerned. Finally, the Cabinet endorsed the Secretary of State for Social Services's view that discussion with the trade unions should not commence until after the national Day of Action on 8 November, and that they should be conducted initially at official level. The Secretary of State for Social Services should keep the Cabinet closely informed of the progress of these discussions. There was, however, no authority for increasing above 4 per cent the offer already made to the groups other than the nurses and related groups in respect of 1983-84.

The Cabinet -

1. Endorsed the proposal by the Secretary of State for Social Services that the Government should announce its intention to consult interested parties about the establishment of a review body for nurses and related groups, subject to the points made by the Prime Minister in her summing up of their discussion; and invited the Secretary of State for Social Services to announce this on Tuesday 9 November.

2. Agreed that the Government's offer to the nurses and related groups for 1982-83 should remain at 7½ per cent but that the offer in respect of 1983-84 should be increased to 4½ per cent, on the understanding that there was a high probability of its acceptance by the groups concerned; and that the Management Side of the Nurses and Midwives Whitley Council should have discretion to decide how best to allocate the available money over time within the two-year period.

3. Agreed that the Secretary of State for Social Services should not authorise discussions with the trade unions until after the national Day of Action on 8 November, and that there should be no increase in the value of the pay offers already made to National Health Service groups other than the nurses and related groups.

4. Invited the Secretary of State for Social Services to keep the Cabinet closely informed of the progress of his discussions with the professional organisations representing the nurses and related groups and with the trade unions.

Cabinet Office

5 November 1982