

CC(82) 3rd
Conclusions

COPY NO 79

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 28 JANUARY 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 Hailsham
Lord Chancellor

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

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 (Items 4 and 5)
Mr D J S Hancock (Items 2 and 3)
Mr D J L Moore (Items 4 and 5)
Mr D H J Hilary (Item 1)
Mr L J Harris (Item 1)

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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.

FOREIGN
AFFAIRS

2. THE LORD PRIVY SEAL said that the internal situation in Poland appeared to have stabilised. Tight control was being maintained by the authorities, who were encountering only passive resistance at present, although there might be more serious trouble with the Solidarity movement in the spring. No more than cosmetic changes were expected in the martial law regime, but it had been agreed that the International Committee of the Red Cross should have early access to political detainees, who still numbered several thousand. Successive meetings of the North Atlantic Council (NAC) had been considering what Western counter-measures should be taken both against Poland and against the Soviet Union. The Americans were pressing for a stronger response than many of Britain's European partners were prepared to contemplate. There was thus a danger of a damaging public split in the Alliance, which might come to a head at the next NAC meeting on 3 February. The Defence and Overseas Policy Committee would be considering what Britain might do to avert this danger, as well as to safeguard existing British contracts, for example in the important case of John Brown Engineering. There did not appear to be any foundation for rumours that the Japanese were preparing to pick up Soviet contracts with which other Western firms were unable to proceed. Meanwhile the European Community had agreed on 26 January to suspend its programme of subsidised food sales to Poland and to redirect the Community funds involved to humanitarian assistance through the voluntary agencies.

Poland

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

Ireland

THE LORD PRIVY SEAL said that, as the Cabinet would be aware, there was to be a general election in the Republic of Ireland on 18 February, following the defeat of the Government in the Dail in a vote of confidence on one of the budget proposals put forward by the Government under Dr Fitzgerald.

Previous
Reference:
CC(81) 6th X
Conclusions,
Minute 3

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Informal Meeting
of Foreign
Ministers
25 January

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

3. THE LORD PRIVY SEAL said that the Foreign Ministers on Monday had failed for the third time to resolve the four key outstanding issues on the Mandate. The United Kingdom was not isolated on all of them: others had reserves on certain agricultural points. But the United Kingdom was largely isolated on the budget, mainly because the others insisted that our refunds should be degressive, by which they meant that the rate of the refunds should come down regardless of what happened to our unadjusted net contributions. The Foreign and Commonwealth Secretary had made it clear that we could agree to a reduction in our refunds only if and as our unadjusted net contributions came down. The Belgian Foreign Minister, as President of the Council, and the President of the Commission were now making contact with national capitals to search for a way forward

Council of
Ministers
(Foreign Affairs)
26 January

Previous
Reference:
CC(81) 40th
Conclusions,
Minute 3

THE LORD PRIVY SEAL said that the Council of Ministers (Foreign Affairs) on 26 January had solved the problem of the price to be paid for sugar imported from the African Caribbean and Pacific (ACP) countries into the Community. The ACP countries would get more for their sugar in the current marketing year, but the storage levy at present paid by Tate and Lyle had been suspended for three years from 1982-83. This was a satisfactory outcome and our hope was that the storage levy would in practice never be reimposed. The Council had also discussed the dispute with the European Parliament about the 1982 Community Budget. The Parliament had adopted a Budget larger than the one agreed by the Council, and it was argued that the Parliament's action had been illegal. It might be necessary to devise some means of taking the issue to the European Court, and consideration was being given as to how this might be done. The British Government would have to decide whether to pay its first contribution to the 1982 budget in February on the basis agreed by the Council or the basis adopted by the Parliament.

The Cabinet -

Took note.

INDUSTRIAL
AFFAIRS

British Rail

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

4. THE SECRETARY OF STATE FOR TRANSPORT said that the Amalgamated Society of Locomotive Engineers and Firemen (ASLEF) had announced a further round of strikes on 3, 4 and 7 February. The British Railways Board (BRB) had decided not to pay other railmen for whom there was no work on Sunday 31 January and any subsequent Sundays. They were considering whether to stop overtime payments on other days, but had not taken a final decision. There was no immediate prospect of escalation either by ASLEF or the BRB. For the time being it seemed best to allow the pressures to build up on ASLEF. Press reports about malpractices by footplatemen had angered ASLEF members at first, but might now be affecting the morale of the rank and file; and they would also shortly be feeling for the first time the effects of the loss of pay resulting from strike action. The majority of the ASLEF leadership were, however, militants with little regard for the damage being done to the future of the railways. The effects on coal stocks and the economy generally were being carefully monitored. Morale among rail commuters remained high. If the industrial action continued beyond a further two weeks, it might be necessary to consider whether there was any initiative which might resolve the dispute. Meanwhile there should be no suggestion that the Government was likely to intervene, and the handling should be left to the BRB.

The Cabinet -

1. Took note.

De Lorean

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

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that Mr John De Lorean had been to see him on 21 January and again, following a meeting in New York with his Board and his advisers, on the previous evening, when he had made proposals for strengthening the company's balance sheet. He had told Mr. De Lorean that no more Government finance was available and that the Government would be having an inquiry into the state of the company carried out by a team from Coopers and Lybrand assisted by Sir Kenneth Cork; this would be completed within two weeks. It had been made clear publicly that the Government had offered no further help or comfort to Mr De Lorean and the company had committed itself to trading henceforth on a cash basis only. Production was being cut back and substantial redundancies were being declared. There was a possibility that Sir Kenneth Cork might advise that the company would be viable at a lower rate of production and that a purchaser might be sought for it on that basis; it was however probable that Mr De Lorean would need to sever his connection with the company. So far there have been no adverse political consequences in Northern Ireland. He would keep his colleagues informed of further developments.

The Cabinet -

2. Took note.

5. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(82) 1) on the Government's economic strategy and its implications for the preparation of his forthcoming Budget.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet recognised that the Chancellor of the Exchequer would have to determine both the main budgetary judgment and the details of budgetary measures in the light of the situation and prospect as they appeared nearer the time. The discussion had shown that the Cabinet agreed that it would be right to continue on the broad strategy which the Government had followed hitherto. It was essential not to put at risk the objective of reducing inflation; within that the aim should be to enable the country to take advantage of the prospects of recovery.

The Cabinet -

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

2. Invited the Chancellor of the Exchequer to take account of the views expressed and the points made in discussion in the preparation of his forthcoming Budget.

Cabinet Office

28 January 1982

ECONOMIC
STRATEGY

Previous
Reference:
CC(81) 33rd
Conclusions,
Minute 5