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CC(82) 11th
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 18 MARCH 1982
at 10.30 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 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

SECRET

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 D J S Hancock (Items 2 and 3)
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.

Law and
Order

THE PRIME MINISTER, summing up a short discussion, said that the Cabinet noted that the Supply Day debate on law and order on Thursday 25 March might take place on an adjournment motion. If the Opposition put down a substantive motion, consideration could be given at a later stage to the possibility of tabling a Government amendment which would command the support of all Members on the Government side. There would be a separate occasion for a debate on capital punishment after Easter when a new clause to restore the death penalty would be put down on the Report Stage of the Criminal Justice Bill; a whole day might have to be set aside for this purpose. The issue was one of conscience, and as on previous occasions a free vote would be allowed. The same considerations did not apply to any new clause which might be moved on corporal punishment; the Government's policy on this was clear, and the usual steps should be taken to ensure that any such amendment was defeated.

The Cabinet -

1. Took note.

Canada Bill

Previous
reference:
C(82) 7th
conclusions,
Minute 1

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that 42 Peers had declared their intention to speak on the Second Reading of the Canada Bill that afternoon. The Opposition had tabled a motion in the name of Lord Stewart expressing confidence in the Canadian Government's intention to promote the welfare of the aboriginal peoples of Canada. This would be regarded as patronising and impertinent by many people in Canada, but it would be difficult for the Government to seek to defeat it even if they could be confident of winning a division. The Foreign and Commonwealth Secretary intended to invite Lord Stewart during the debate to withdraw his motion as inappropriate and unnecessary; if he did not succeed, he would not advise the House to vote against it, but he would make it clear that in the Government's view the motion was inappropriate and ill-advised, and should not have been put down.

The Cabinet -

2. Agreed that Lord Stewart's motion on the Second Reading of the Canada Bill in the House of Lords should be handled in the way outlined by the Chancellor of the Duchy of Lancaster.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the Opposition had tabled an amendment on the Report Stage of the Social Security and Housing Benefits Bill which was to be taken in the Commons that afternoon to restore the 5 per cent abatement in unemployment benefit introduced in 1980. Fifteen Government backbenchers had put down a similar amendment. Those supporting the amendments claimed that the Government had given a commitment that the abatement would be restored when unemployment benefit was brought into tax. The only firm undertaking which had in fact been given was on invalidity benefit, but as this was not to be brought into tax until later no immediate question of restoring the abatement arose. The position on unemployment benefit was that the Government had promised to keep the situation under review with a view to restoring the abatement when economic circumstances permitted. The gap between the incomes of employed and unemployed people would be further narrowed when unemployment benefit was increased by 11 per cent in the autumn. The Government could not be certain of defeating the Opposition amendment, but to offer any concession at this stage would increase the pressure to give way on other equally important points covered by the Bill. The cost of a concession would be about £60 million in a full year. He therefore proposed that the Government spokesman on the Bill should be sympathetic to the case for eventually restoring the abatement and should point out the action already taken to improve short-term benefits, but should otherwise maintain the Government's previous line.

The Cabinet -

3. Invited the Chief Whip, in consultation with the Secretary of State for Social Services, to make any necessary arrangements with a view to defeating the proposed amendments to the Social Security and Housing Benefits Bill on the restoration of the abatement of benefits.

COMMUNITY
AFFAIRS---
30 May
MandatePrevious
Reference:
EC(82) 10th
Conclusions,
Minute 4

2. THE PRIME MINISTER said that she and the Foreign and Commonwealth Secretary had seen the Presidents of the Council of Ministers and the Commission on 16 March. The discussion had got nowhere. The two Presidents had supposed that they could persuade the United Kingdom to accept a worse settlement than in 1980 and for a shorter period of time. They seemed to imagine that the United Kingdom would be prepared to enter a new negotiation on the subject every year. They showed no comprehension of the true nature of the problem. Other member states attached importance to degressivity. The Prime Minister had said that it was not possible for the United Kingdom to accept that our refunds should get progressively smaller no matter how large the problem was. A formula had been devised to measure the size of the problem in terms of the gap between the excessively high British gross contribution to the Community budget and the excessively low British receipts from it. If the Community refunded to the United Kingdom 90 per cent of this gap, the result would be a reasonable net contribution. The two Presidents had reported that they were not getting anywhere with other Governments. The Prime Minister had said that, unless other Governments moved towards the British position, there could be no agreement on agricultural prices. It was possible that the French would respond to a British veto by introducing national aids. The Community was therefore a long way from resolving the crisis. But there was no need to be too pessimistic, because the Community never summoned up the determination to solve a problem until it was right on the brink of disaster.

Council of
Ministers
(Agriculture)
15-17 MarchPrevious
Reference:
EC(82) 6th
Conclusions,
Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Council had spent two days and two nights discussing the farm price review but had reached no decisions. A striking feature of the meeting was the close co-operation between the French and German delegations following the recent Franco-German Summit. The Germans had given the United Kingdom no help on the level of prices and had attacked the butter subsidy and beef premium. They had left the United Kingdom isolated in opposing French wishes on the distillation of alcohol. This was a serious matter because, if the French got their way, the industrial alcohol business of British companies could be ruined.

In discussion it was pointed out that the petrochemical industry in the United Kingdom would suffer as well. British Petroleum were working on a scheme for extracting the sugar from surplus wine to use it for cattlefeed, thus saving imports of molasses.

It was agreed that there were a number of reasons for the revived closeness of relations between Germany and France. The French Government's attitude to nuclear weapons was certainly welcome to the Federal Chancellor. The French for their part were worried about

their economic situation and realised that they might need German help. France and Germany currently shared a deep distrust of United States policies. Finally, the left wing of the German Social Democratic Party had been putting pressure on Chancellor Schmidt to establish good relations with the new Socialist Government in France.

THE CHANCELLOR OF THE EXCHEQUER said that the Council had discussed proposals for technical changes in the European Monetary System, but had not been able to move very far because of the reluctance of the Bundesbank. The Chancellor of the Exchequer had tried to discuss the question whether the Community should join the Sixth International Tin Agreement but found that Finance Ministers were in general not responsible for this subject. There had been some progress towards a common position on the Community's attitude towards Japanese macro-economic policy.

In discussion it was suggested that the opportunity of the Anglo-German Summit on 19 March should be taken to convince the German Government that they should co-operate in putting pressure on the Japanese to adjust their economic policies so as to reduce their current account surplus. Some German Ministers thought that the campaign within the Community was disguised protectionism whereas in fact an adjustment of Japanese macro-economic policy was necessary in order to preserve the conditions in which the liberal trading system could survive. The problem of securing a moderation of Japanese penetration of Community markets and the opening up of Japanese markets was difficult and results could not be expected in the short term. Meanwhile the voluntary arrangements were getting more difficult to sustain. Even so, there was no realistic alternative to continuing the present policy of maintaining persistent general pressure on the Japanese Government.

THE SECRETARY OF STATE FOR ENERGY said that the business discussed at the Energy Council had been of limited importance.

The Cabinet -

Took note.

Council of
Ministers
(Economics
and Finance)
19 March

Council of
Ministers
(Energy)
19 March

INDUSTRIAL
AFFAIRS

London
transport

previous
reference:
(82) 4th
conclusions,
minute 1

3. THE SECRETARY OF STATE FOR TRANSPORT said that the Chairman of London Transport (LT) had told him that all the LT unions were united in their opposition to the fare increases which had been proposed in the light of the Law Lords' judgment, on the grounds that they would lead to a loss of jobs and the curtailment of services. They were pressing the Chairman to join them in a deputation to the Government, and were planning further strike action to protest against any further cuts in services. Left wing members of the unions were promoting a publicity campaign aimed at persuading the public not to pay the higher fares: this was in addition to the advertisements sponsored by the Greater London Council (GLC) in support of their fares policy, and it would be difficult to prove that it was financed from public funds. He had advised the Chairman that it would be inappropriate for him to take part in a politically motivated joint deputation. He had himself recently told the Select Committee on Transport that the Government were prepared to take responsibility for LT away from the GLC if there were continued political interference with its management. He would invite the Civil Contingencies Unit to consider how the Government should respond to any further industrial action by the LT unions.

Loreau

previous
reference:
(82) 6th
conclusions,
minute 4

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that there had been little change in the situation of the De Loreau Motor Company. Mr De Loreau had failed to inject \$5 million into the American company, as he had said he intended to do, and the Bank of America were seeking to protect their position. The manufacturing business in Belfast was continuing to produce about 35 cars a week from existing supplies of components; one potential buyer had withdrawn, but two others were still interested.

The Cabinet -

Took note.

Cabinet Office

18 March 1982