



(c) crown copyright

(19) 7th
conclusions

CCPY NO 79

CABINET

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

WEDNESDAY 20 JUNE 1979

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 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 Industry

The Rt Hon Francis Pym MP
Secretary of State for Defence

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

The Rt Hon Sir Ian Gilmour MP
Lord Privy Seal

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
Secretary of State for Northern Ireland

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

The Rt Hon Norman St John-Stevas MP
Chancellor of the Duchy of Lancaster

The Rt Hon John Nott MP
Secretary of State for Trade

The 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

Rt Hon Norman Fowler MP
Minister of Transport

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Sir Clive Rose (Items 2 and 3)
Mr M D M Franklin (Items 2 and 3)
Mr P Le Cheminant (Item 4)
Mr P J Harrop (Items 1 and 5)
Mr P Mountfield (Item 4)
Mr D E R Faulkner (Item 1)
Mr R M Orton (Item 5)

CONTENTS

Subject	Page
PARLIAMENTARY AFFAIRS	
European Assembly (Salaries and Pensions) Bill: Debate on Second Reading	1
FOREIGN AFFAIRS	
Rhodesia	1
Vietnamese Refugees	2
COMMUNITY AFFAIRS	2
MPs' AND MINISTERS' PAY	3
RATING REVALUATION	6

PARLIAMETARY
MATTERS

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

mean
Assembly
and
(S) Bill:
on Second
ing

THE HOME SECRETARY said that he expected to come under pressure from backbenchers, including a number of the Government's supporters, during the debate on the Second Reading of the European Assembly (Salaries and Pensions) Bill about the payment of a second salary to Members of Parliament who were also members of the European Assembly. Most other European countries intended to pay an abated second salary in similar circumstances. It was for consideration whether this fact should be acknowledged during the debate and Members who wished to press the point told that they would have an opportunity to do so in Committee. There had also been a prominent report in that morning's "Daily Express" about the abuse of expenses paid by the European Assembly, on which he intended to take a strong line in the debate.

THE PRIME MINISTER, summing up a brief discussion, said that the Government should make no reference to the possibility of an abated second salary during the debate on Second Reading or to the opportunity of further consideration in Committee. The recommendations on Members' salaries which the Cabinet would consider later in the meeting were clearly on the basis of a full-time job, and the time which a Member gave to his attendance at the European Assembly would be at the expense of his attendance at Westminster. If Members wished to press the point they should be prepared to do so openly in a vote.

The Cabinet -

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

IGN
MATTERS

Asia

is

ance:

6th

usions

2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that, following the United States Senate vote on the Military Authorisation Bill requiring President Carter to lift sanctions against Rhodesia before the end of June, the House of Representatives would probably pass an amendment to the Bill requiring the President to take this action by 15 October. If so the two Houses of Congress would have to agree on a compromise.

THE FOREIGN AND COMMONWEALTH SECRETARY said that two conferences about Vietnamese refugees were now in prospect. One would be held in Geneva under the United Nations High Commissioner for Refugees, Mr Hartling; the other had been called by the United Nations Secretary General, Mr Waldheim, and would take place in New York on 18 July. This would be on a political level and would discuss plans for international action. We had been active in getting these conferences called and we should be expected to put forward positive suggestions. This would involve a difficult decision. We would be expected either to offer to take more refugees in this country if others did likewise or make funds available for their resettlement elsewhere.

In discussion there was support for the view that if we wanted others to do more to resolve the problem, we would need a bargaining counter ourselves. On the other hand, it was argued that we already had two million immigrants in this country for whom we were providing education, housing and other amenities: and there was likely to be adverse public reaction if we added to these a sizeable number of Vietnamese. In preparing for the forthcoming international meetings we would have to stand firmly on our position that it was up to other members of the international community to do more.

The Cabinet -

Took note.

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the meeting of Community Foreign Ministers on Monday had agreed that the French Presidency should make a démarche on behalf of the Community to the Government of Vietnam about the refugee problem. They had also been able to agree a statement on the Middle East which was critical of Israeli policy on settlements and the sovereignty of the West Bank. Although it had not received much publicity, the significance of the statement had not been lost on Israel or the Arab countries and would probably be helpful to Egypt.

THE PRIME MINISTER said that the Council of Agriculture Ministers was still continuing and for the time being the Commission were sticking to their proposals for a price freeze on commodities in surplus. The French were pressing for a small increase in prices even on milk but we were continuing to resist this in view of the enormous cost of the milk surplus. The French Minister of Agriculture had returned to Paris and might be receiving fresh instructions.

The Cabinet -

Took note.

4. The Cabinet had before them a memorandum by the Chancellor of the Duchy of Lancaster, C(79) 22, dealing with the Twelfth Report from the Review Body on Top Salaries (TSRB) which recommended revised current rates of pay for Members of Parliament and Ministers, new rates for the Peers' expense allowance and an interim increase in Members' secretarial and research assistant allowances.

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that the TSRB had recommended very substantial increases in the pay of Members of Parliament (MPs) and Ministers. MPs' pay would be increased to £12,000 a year, that of Cabinet Ministers to £25,000, that of Ministers of State to £20,000, and that of Parliamentary Secretaries to £13,000. The Prime Minister's pay would rise to £33,000. In addition to these figures the proportion of Parliamentary salary retained by a Minister would rise to £7,000. Peers' expense allowances would be increased by about 100 per cent. Although these increases seemed large, they needed to be put in context. For example, the 74 per cent increase for Members of Parliament came down to 50 per cent when allowance was made for the 1975 decision to abate part of the increase recommended in that year. Over the same period prices had increased by more than 60 per cent. Compared with the rates now in use for pension purposes, the increase was only 28 per cent, broadly in line with the increases recommended for other parts of the public sector. It was undesirable to allow these anomalies to continue because they distorted the whole structure of pay and allowances in Parliament. The longer a decision was delayed, the harder the problem became. Feeling in Parliament was running strongly, particularly as a result of premature publicity before the Report, and the Government had little room for manoeuvre. Apart from the rates themselves, there were two particular problems: linkage and staging. The House of Commons had expressed a view in the past in favour of linking MPs' pay to that of a grade in the Civil Service. TSRB had recommended against this, and indeed had hesitations about any linkage either to groups or indices. Nevertheless despite their view that regular independent review was the proper course for determining the salaries at issue they saw practical advantage in finding a suitable way of keeping the salaries of Members of Parliament up to date between reviews. In this context their preferred solution would be linkage with an index of general movements in earnings and they saw the appropriate percentile of New Earnings Survey of the Department of Employment as fulfilling the requirement. Any form of linkage reduced the risk of adverse publicity each year. But both methods had their disadvantages. The TSRB recognised that their recommendations might have to be staged, and listed a number of options. In his view this process should not extend beyond April 1981.

If the increases were staged, the new rates should be accepted in full for pensions purposes immediately as with other public sector groups. Because of the recent leaks, it was important to announce the Government's decision and publish the Report as quickly as possible. There would be a debate before the House rose for the Summer Recess.

In discussion, it was first argued that the TSRB had fulfilled their remit, and recommended a package of increases which would yield 'the rate for the job' for Members of Parliament and for Ministers. Although their proposals might be criticised in detail, it would be a mistake to undo the package or to tinker with individual proposals. Despite adverse Press criticisms that day, the public at large would probably recognise that the Boyle recommendations were sensible. They would re-establish the pay of the ordinary Member of Parliament at a reasonable level and avoid the temptation to supplement it by unreasonable expense claims. Indeed the recommended levels would be generous for new and inexperienced Members.

In further discussion, it was argued that, although the rates were reasonable, the increases were so large that some form of staging would be inevitable. The Cabinet could not recommend to the House treatment for Ministers and MPs more generous than that which the present Government had conceded for public service groups. Nor could it give any promise of automatic updating for the future. The exact pattern of staging should be agreed following the Cabinet discussion, in the light of the treatment given to recent public service groups. But it might be necessary to stage over a period of two years, in three instalments, notwithstanding the difficulties this might cause in the House of Commons. Whatever pattern of staging were adopted, it was desirable to adopt the new rates immediately for pensions purposes.

In discussion of allowances, it was pointed out that Members of Parliament were entitled to generous travelling and living allowances, particularly in the case of those who had to maintain a second home in London. Although this was not a matter covered by the Boyle Report, but was dealt with by a separate Resolution of the House, there was a case for re-examining the level of such allowances in future, given the new level of Parliamentary salaries and the tax changes made in the Budget. There was some slight evidence, in a small minority of cases, that the present rules were abused. The case for an increase in Peers' expense allowances was also strong, although there was also a danger of abuse. The particular position of Ministers outside the Cabinet in the House of Lords needed special attention. When the Boyle recommendations were implemented in full, they would no longer be allowed to claim Peers'

expense allowances, and the Boyle Report did not suggest any alternative treatment. However there was evidence that Ministers in the Lords were at a disadvantage compared with their colleagues in the Commons because they, too, were called upon to perform non-Ministerial Parliamentary duties. It would be sensible to invite the TSRB to cover this question within the second part of their Report, which would also deal with the outstanding question of secretarial allowances.

In discussion of linkage, it was argued that any automatic hedge against inflation was undesirable. It would be damaging to the Government's counter-inflationary policy, but it would not avoid the need for an annual motion and adverse publicity. If any form of linkage were to be chosen, it was preferable to relate movements in the pay of MPs to those in the pay of the Assistant Secretary grade in the Civil Service, as the House had overwhelmingly decided in a vote in 1975. This would be preferable to a link with the New Earnings Survey of the Department of Employment, which was a precedent too easily copied by other public service groups. Another alternative was to commit the Government to a regular review by the TSRB, though it would be difficult to persuade the House of Commons to accept reviews at more than two-yearly intervals.

The Cabinet noted that the Prime Minister and the Lord Chancellor, while accepting the salaries recommended for them as the appropriate rate for the job, intended not to draw any increase which would keep their actual emoluments ahead of other Cabinet Ministers and on the understanding that other members of the Cabinet would not make similar waivers.

On the question of handling, it was suggested that an early Government announcement was now needed, accompanied by publication of the Report. The Government should take responsibility for tabling the necessary motions, but should not propose any form of automatic linkage or frequent review. It had to be recognised that backbench Members might well table amendments calling for such linkage or review. In this event it was important that the Cabinet should show a united front, and since they had reached no decision on the question of linkage, abstention by Ministers from voting would be the appropriate course. The Prime Minister would need to inform the Leader of the Opposition of the Government's decisions before the announcements were made.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed to accept the TSRB recommendations on the Parliamentary salary and on Ministerial and Office Holders' pay as being the rate for the job. The increase should be made in three

equal stages over a period which would give treatment no more generous than that given in any other recent public sector group decision. The full rates should be adopted in full for pensions purposes immediately. The recommended increases in allowances, including Peers' expense allowances and the interim increase in secretarial allowances for MPs should be paid in full immediately. The Government would not announce any decision about linkage. If amendments to the Government's motion were tabled to introduce some form of linkage, all Ministers would abstain from voting on the amendments. The Government would ask the Top Salaries Review Body to consider urgently as part of its forthcoming report on secretarial allowances, the question of providing analogous allowances for Ministers and Office Holders in the House of Lords. The Prime Minister and the Lord Chancellor, whose salaries were higher than those of other Cabinet Ministers, would not accept that part of the approved new rate for their offices which would keep their pay (inclusive of Parliamentary salary) above that of other Cabinet Ministers. The Government's decision should be announced by way of statements by the Leaders of both Houses on Thursday 21 June and the necessary motions should then be tabled and debated before the Summer Recess. She would herself arrange to see the Leader of the Opposition shortly after the Cabinet meeting to inform him of the Government's decisions.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion, and invited the Chancellor of the Duchy of Lancaster and the Lord President of the Council to proceed accordingly.

5. The Cabinet had before them a memorandum by the Secretary of State for the Environment, C(79) 21, seeking agreement to the cancellation of the current rating revaluation.

THE PRIME MINISTER, summing up a brief discussion, said that the abolition of the domestic rating system was a Manifesto commitment, even though it had to take second priority to the cutting of income tax. To continue with the current revaluation would undermine this objective, would help to perpetuate an inequitable tax, and would lead to great acrimony. It would be best to make no exception for non-domestic properties, but to cancel the entire revaluation as the first step in tackling the rating system.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion, and invited the Secretary of State for the Environment to be guided accordingly.

Cabinet Office

20 June 1979