

CC(82) 39th
Conclusions

COPY NO 79

CABINET

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

THURSDAY 22 JULY 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 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
(Items 3 and 4)

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. The House would rise for the summer adjournment on Friday 30 July, and return on Monday 18 October.

Rate Support
Grant Settlement

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he intended to announce the Government's proposals for the Rate Support Grant (RSG) settlement for 1983-84 at the meeting of the Consultative Council on Local Government Finance which had been arranged for Tuesday 27 July. He would need to inform the House of Commons of the proposals immediately thereafter. On the assumption that the Government acceded to the Opposition's request to devote the major part of that day's business to their motion on unemployment, an oral statement, which was likely to lead to lengthy questions, and which would have to be followed by similar statements on the proposals for Wales and Scotland, would inevitably eat into Opposition Supply time. Since the proposals were only consultative at this stage, it might be worth exploring with the Opposition whether they would prefer the statement to be made by way of a Written Answer.

THE PRIME MINISTER, summing up this part of the discussion, said that a statement on the RSG proposals would have to be made on Tuesday 27 July. The Government should not appear to be seeking to limit the amount of Parliamentary time available to the Opposition on their Supply day, but the unemployment debate had been moved from Wednesday 28 July at their request, and they might therefore be amenable to having the RSG statement either made orally at the expense of their Supply time or, preferably, dealt with in a Written Answer. The Parliamentary Secretary, Treasury, in consultation with the Secretaries of State for the Environment, for Scotland and for Wales, should now seek to reach agreement with the Opposition on this basis.

The Cabinet -

1. Invited the Parliamentary Secretary, Treasury, in consultation with the Secretaries of State for the Environment, for Scotland and for Wales, to discuss the arrangement of business for Tuesday 27 July with the Opposition, as indicated in the Prime Minister's summing up.

Replacement
of the Atlantic
Conveyor

THE SECRETARY OF STATE FOR INDUSTRY said that he would be moving the Shipbuilding Redundancy Order after the unemployment debate on Tuesday 27 July. Although the Order itself was not intrinsically controversial, it would provide an opportunity for the Opposition to press the Government on the placing of the order by Cunard for the container ship to replace the Atlantic Conveyor which had been lost during the Falkland Islands conflict. Even with the maximum Government assistance permissible under European Community rules, the British Shipbuilders (BS) tender, at 72 million dollars, was still some 17 million dollars higher than the South Korean tender, and was also well above the price quoted by Japanese, Swedish and French yards. The BS delivery time was nine months longer than the longest period quoted by any of the other yards. The Ministerial Sub-Committee on Economic Affairs had examined the matter in great detail, but could see no way in which the gap could be closed sufficiently to persuade Cunard to place the order with a British yard.

THE SECRETARY OF STATE FOR DEFENCE said that it might be possible for the Ministry of Defence to make a contribution towards the cost of a replacement, constructed in a British yard, if the design were modified to make the ship suitable as a reserve naval asset which could be used without further modification in the event of an emergency.

THE PRIME MINISTER, summing up this part of the discussion, said that the announcement by Cunard of a decision to give the order for a replacement for the Atlantic Conveyor to a foreign yard would cause intense political controversy, which could well find expression during the following week's debates on the Consolidated Fund Bill, or on the Adjournment motion. Cunard were not committed to accepting the lowest tender, and might be willing to consider placing the order with a British yard if the gap between the BS price and the South Korean tender could be significantly narrowed. The Cabinet agreed that there could be no question of providing direct Government subsidies or soft credit beyond what had been discussed by the Ministerial Sub-Committee on Economic Affairs, but the proposal of the Secretary of State for Defence would involve expenditure on a reserve asset for which there was a genuine naval need. The Secretary of State for Defence should pursue this suggestion, and should then consider with the Secretary of State for Industry whether satisfactory arrangements, including an acceptable delivery time, could be made between Cunard, BS and the Government. It was important that the matter should be settled before the House of Commons rose for the summer adjournment, and that Cunard should be dissuaded from making any public statement closing their options in the meantime.

The Cabinet -

2. Invited the Secretary of State for Defence -

i. to consider whether the Government should contribute to the cost of a replacement for the Atlantic Conveyor, if it was built in a form which would enable it to be used if necessary as a reserve naval asset;

ii. if that proved possible, to consider further with the Secretaries of State for Industry and for Trade whether such a contribution could form part of an arrangement whereby Cunard placed the order for the replacement of the Atlantic Conveyor with a British shipyard.

THE LORD PRIVY SEAL said that the intention was for the House of Lords to rise for the summer adjournment on Tuesday 3 August, by which time they expected to have completed the Report Stages of the Employment and Criminal Justice Bills. They would return on Tuesday 12 October, six days before the Commons, and it would therefore be possible for any urgent Government statements to be made in the Lords during that period.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that, following the bombing incident involving the Household Cavalry in Hyde Park on 20 July, a check had been made on the Regents Park bandstand, but had failed to reveal the device which had exploded later that day, causing deaths and severe injuries, during a performance by the Band of the Royal Green Jackets. He was considering urgently with the Home Secretary and the Secretary of State for Defence how security arrangements in the Royal Parks might be improved. In the meantime, the advertised series of concerts by military bands in the Royal Parks would continue as planned.

The Cabinet -

3. Took note.

House of Lords
Business

Regents Park
Bombing
Incident

FOREIGN
AFFAIRS

Iran-Iraq

Previous
Reference:
CC(82) 38th
Conclusions,
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that large scale fighting continued between Iraq and Iran with heavy losses. Despite earlier doubts about the state of Iraqi morale Iraq had repulsed the Iranian thrust into her territory, and Iranian forces now held only a narrow strip of Iraqi territory about 10 kilometres long. Iraq had meanwhile launched air attacks on Kharg Island. The outcome of the conflict remained unpredictable. The Foreign and Commonwealth Office had been in touch with the Governments of Kuwait and the other Gulf States: none was looking for diplomatic help at present or had any plans to send military help to Iraq. In Iraq all but 7 of the British subjects known to be in the Basra area had now left.

Lebanon

Previous
Reference:
CC(82) 38th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the negotiations were continuing, but United States hopes of achieving a package deal involving the departure of the Palestine Liberation Organisation (PLO) from Beirut had now been frustrated by the Lebanese. There was still no agreement on where the PLO should go and Israeli impatience was mounting. The Prime Minister and he would be seeing King Hussein of Jordan in the course of the next two days and would be encouraging him to impress on the United States Government the urgency of the need to find a solution to the Lebanese problem.

United States

Previous
Reference:
CC(82) 36th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that he would be seeing the new United States Secretary of State, Mr. Shultz on 29 July. This would be an opportunity for a general discussion of world problems rather than of detailed issues. He would be meeting Mr Shultz again in September.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Council of
Ministers
(Foreign Affairs)
19-20 July

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Foreign Affairs Council had dealt with relatively routine matters, apart from steel which was to be discussed later.

French Turkeys
Previous
Reference:
CC(82) 37th
Conclusions,
Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the decision of the European Court ruling against the United Kingdom case for maintaining its restrictions had not been as unhelpful as at first sight might appear. The Court had ruled that the restrictions should be removed but not in such a way as to endanger the health of the United Kingdom flock. It was therefore possible that the Government would be able to continue to exclude foreign birds unless vaccination could be proven.

Council of
Ministers
(Agriculture)
19-20 July

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the United Kingdom had secured satisfactory safeguards for the industrial alcohol industry during the negotiations about the wine regime.

Previous
Reference:
CC(82) 34th
Conclusions,
Minute 4

Council of
Ministers
(Fisheries)
20-21 July

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Fisheries Council had ended with a clear nine to one line-up against the Danes. The Danish Minister in the Chair had had a most embarrassing time. The negotiations on the Common Fisheries Policy would be resumed at a further meeting in September. He recommended that the Prime Minister and the Foreign and Commonwealth Secretary should consider ways of putting effective pressure on the Danish Prime Minister to ensure that the September Council reached agreement. Both the Federal Chancellor and the French President were likely to be influential with the Danish Prime Minister.

Previous
Reference:
CC(82) 36th
Conclusions,
Minute 3

THE SECRETARY OF STATE FOR SCOTLAND, supporting this suggestion, said that there was evidence that the problem lay with the Danish Fisheries Minister personally and that he did not have the full support of the rest of the Danish Government. The problem for the United Kingdom was that it would be difficult to maintain the support of our fisheries industry for the agreement if the matter dragged on beyond September.

United States
Steel Imports
Previous
Reference:
CC(82) 38th
Conclusions,
Minute 3

THE SECRETARY OF STATE FOR INDUSTRY said that negotiations with the United States Government over steel imports had reached the point of crisis. After 24 July the United States Government would have to get the agreement of the United States steel industry before conducting any negotiations with other countries. The Commission's attempt to reach a settlement on behalf of the Community had failed, and the Chairman of the British Steel Corporation was on his way to Washington to participate in a bilateral negotiation. Meanwhile, a new series of Community proposals had been worked out in Brussels which the other member states were insisting should be the basis of the next move, to the exclusion of bilateral approaches. The latest advice was that, if the United Kingdom began bilateral negotiations, the Community initiative would be brought to a halt and the United Kingdom would be blamed for the destruction of the Community's position. The problem was that the other member states did not have as much at stake as the United Kingdom. The British industry was much the hardest hit by the United States measures and, if there were no agreement, it was likely that the industries of the other member states would capture markets from British steel.

In discussion it was pointed out that, although in law the date of 24 July appeared important, in practice there was not much in it. The United States Government was already giving absolute priority to the interests of the United States industry, so that it was unlikely to make any difference to their behaviour when they came under a legal obligation to get the agreement of their industry. The Community package being worked out in Brussels had significant advantages for the United Kingdom industry, in that the other member states were prepared either to freeze or to reduce their market shares. It was therefore sensible to allow the Community initiative to be put to the United States Government. If the Community proposal were rejected, as seemed quite likely, then the United Kingdom should go ahead with bilateral negotiations. These should not be confined to British Steel; the private sector must also be involved.

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THE PRIME MINISTER, summing up the discussion, said that it was agreed that the United Kingdom should act in concert with its Community partners for the rest of the day, but that, if the Community proposals were rejected by the United States, then the United Kingdom should proceed to bilateral negotiations. In those circumstances the matter could not be allowed to drag on into the following week and the bilateral negotiations would have to be initiated before the weekend.

The Cabinet -

Took note.

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INDUSTRIAL
AFFAIRS

British Railways

Previous
Reference:
CC(82) 38th
Conclusions,
Minute 4

4. THE SECRETARY OF STATE FOR TRANSPORT said that although the Associated Society of Locomotive Engineers and Firemen (ASLEF) had now called off its strike, the British Railways Board (BRB) still faced a number of difficult industrial relations problems. It was possible, although unlikely, that the recalled ASLEF Delegate Conference would reject flexible rostering. Even if they did, it seemed improbable that ASLEF would seek to call a further all-out strike; and the BRB would continue with the imposition of flexible rosters. The more difficult problems were the handling of the outstanding productivity commitments and this year's pay offer. The BRB would need to decide whether to seek to reach a quick settlement with the trade unions involving both a modest pay increase and the implementation of the outstanding productivity measures, or whether to allow the reference of the pay issue by the trade unions to the Railway Staff National Tribunal to proceed, with the possibility that this might lead to an unsatisfactory outcome. He would be discussing the position further with the BRB and would keep his colleagues informed of developments.

The Cabinet -

1. Took note.

The National
Health Service

Previous
Reference:
CC(82) 38th
Conclusions,
Minute 4

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the three-day strike in the National Health Service (NHS) on 19-21 July had received substantially less support than the trade unions had expected. The impact had been no worse than on the previous day of action in June. Emergency ambulance cover had been withdrawn in only one area, and it had not proved necessary to use servicemen. The Health Services Committee of the Trades Union Congress was meeting that day. The indications were that they were uncertain about their next moves and were concerned that support for continuing industrial action both within the NHS itself and on the part of the Press and the general public, might be diminishing. The Royal College of Nursing had decided to ballot its membership on the pay offer, but the results would not be known until 26 August. If they and the other professional bodies decided to accept the offer, their combined votes on the Nurses and Midwives Whitley Council would be sufficient to ensure a settlement for that group. It was essential that the Government should continue to make clear that there would be no more money made available for an increase pay offer, and also that the dispute was having a greater impact on patient care than the trade unions pretended. Finally, he welcomed the fact that sympathetic industrial action by civil servants in support of the NHS dispute had been much less than on the previous day of action and had been negligible on the second and third days of the three-day strike.

The Cabinet -

2. Took note.

Cabinet Office

22 July 1982