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CC(82) 50th
Conclusions

COPY NO 79

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 25 NOVEMBER 1982
at 10.00 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

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THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Michael Havers QC MP
Attorney General

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Mr P L Gregson
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 M S Buckley (Item 4)
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.

Steel Debate

THE SECRETARY OF STATE FOR INDUSTRY said that he had understood that the debate on the steel industry in Government time on Wednesday 1 December had been arranged at the request of the Opposition. The Opposition spokesman on the industry had, however, expressed surprise to him the previous evening that the Government should have made such an arrangement before they were in a position to announce long-term decisions on the industry. There was nothing he could add during the debate to what he had said in his statement on Monday 22 November following the meeting of Industry Ministers of the European Community at Elsinore, and he thought it doubtful whether there was any point in going ahead with a debate in which Ministers would be unable to deal substantively with the criticisms which would be made of Government policy on the industry.

THE PRIME MINISTER, summing up the discussion, said that the debate arranged for 1 December came at an inconvenient time for the Government. The Opposition had, however, already been notified of the arrangements, and it would be difficult to change them now, particularly since there was no other business which was suitable for taking on that day. The debate would be an opportunity for Ministers to listen to representations rather than to make any positive response to them, and it would be appropriate for the opening and closing speeches for the Government to be made by junior Industry and Scottish Office Ministers. In announcing the debate during that afternoon's business statement, the Lord President of the Council should seek to make it clear that it had been arranged at the request of the Opposition, but that the Government would have nothing new to say. There would in any case have to be a further debate at a later stage.

The Cabinet -

1. Invited the Secretary of State for Industry and the Secretary of State for Scotland to select Government speakers for the debate on Wednesday 1 December and inform the Chief Whip accordingly.
2. Invited the Lord President of the Council to handle the announcement of the debate in the way indicated in the Prime Minister's summing up of their discussion.

Civil Service
and Related
Bodies
(Redundancy
Compensation)
Bill

Previous
Reference:
CC(82) 42nd
Conclusions,
Minute 5

THE SECRETARY OF STATE FOR INDUSTRY said that at their meeting on 30 September the Cabinet had agreed to a Bill being added to the legislative programme for the current Session to prevent the payment of redundancy compensation to civil servants who were offered employment with an outside body to which their functions had been transferred with no worsening of their terms and conditions of employment. A Bill for this purpose had now been prepared, but it had been found to conflict with assurances which had been given to the staff of the National Maritime Institute (NMI), which had been privatised on 1 October. The staff of the NMI, who at present were all civil servants employed on secondment, had been given a written undertaking that if they did not want to accept a reasonable offer of employment with the NMI, every effort would be made to absorb them within the Civil Service and that,

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failing that, they would be eligible for full redundancy compensation under the Principal Civil Service Pension Scheme. To prevent charges of bad faith, and the likelihood of large numbers of the staff of the NMI ending their secondment, he would have to be in a position to give an assurance when the Bill was published that notwithstanding its general provisions the undertaking would be honoured. The simplest, and in his view the best, way of dealing with this problem would be for the Bill to be amended either before publication or during its Committee Stage to exempt pre-existing agreements from its provisions. Parliamentary Counsel had already drafted a clause for this purpose which, though in practice it would probably apply only to the NMI, would not be hybrid, and would not expose Ministers responsible for other privatisations to pressure to concede arrangements analogous to those offered to the staff of the Institute. The alternative would be to tell the staff of the NMI that their option to take advantage of the arrangements under the agreement would have to be exercised before the Bill received Royal Assent, or to offer an assurance that compensation would be paid in appropriate cases outside the rules of the Principal Civil Service Pension Scheme. Either approach would involve an element of renegotiation and accusations that the Government were renegeing on their commitment, and he therefore invited the Cabinet to agree that the Bill should be amended on the lines he had suggested.

In discussion, it was noted that as a result of discussions in the Home and Social Affairs Committee and Legislation Committee agreement had been reached on arrangements for the Heavy Goods Vehicle Testing Stations and the Hydraulics Research Station which would not involve specific statutory provision. If a clause designed to deal exclusively with the NMI were brought forward, there could well be pressure for explicit provisions for other privatisations. Some anxieties were expressed about the effect of the Bill on the undertakings already given that full redundancy compensation would be paid to staff of the Gibraltar naval dockyard when it was transferred to civilian use. It was suggested that there was a case for extending the Bill to cover redundancy arrangements in the National Health Service as well as the Civil Service. Any further extension of the Bill would however make it more controversial, and delay its introduction and subsequent progress. If there was any risk that the Bill could not in fact be passed during the current Session, further clauses would have to be added to the National Heritage Bill to prevent the payment of compensation to the civil servants affected by the change in status of the various bodies with which it dealt.

THE PRIME MINISTER, summing up the discussion, said that it was clear that a number of policy issues which had arisen during the drafting of the Bill had still to be resolved. The Bill should not be introduced until these had been satisfactorily settled. On the information available to the Cabinet, it did not appear that the Bill would in practice affect the undertakings which had been given in relation to the staff of the Gibraltar naval dockyard, but this and other points mentioned in discussion should be urgently considered by an interdepartmental meeting under Treasury chairmanship. That meeting should, in particular, consider both the possibility of meeting the commitments given to the staff of the NMI by non-legislative means, and the implications for other Departments of amending the Bill in the way proposed by the Secretary of State for Industry. Any points still outstanding after that meeting should be referred to the Home and Social Affairs Committee for decision.

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The Cabinet -

3. Invited the Chancellor of the Exchequer to arrange for a meeting under Treasury chairmanship, as indicated in the Prime Minister's summing up of their discussion, to consider outstanding issues on the Civil Service and Related Bodies (Redundancy Compensation) Bill, and for a report to be submitted as necessary to the Home and Social Affairs Committee.

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that an Arab League Delegation headed by King Hassan of Morocco was due to come to London the following week, having already visited several European capitals as well as Washington. The Delegation was to include a number of Arab Foreign Ministers: and the Arabs had now formally proposed the inclusion of a senior representative of the Palestine Liberation Organisation (PLO). Arab leaders were putting the Government under very strong pressure to agree and King Hussein of Jordan had sent the Prime Minister a message of unprecedented strength on the subject. The PLO representative had been included in the Delegation when it had been received by President Mitterrand of France. The United Kingdom's position on the PLO was that it was or had been a terrorist organisation which could not be accorded recognition until it recognised Israel's right to exist and rejected terrorism. In order to avoid the need for an outright rejection of the Arabs' request, which would prejudice the part which the United Kingdom was playing to achieve a peaceful settlement in the Middle East on the basis of President Reagan's proposals, it would be desirable to strike a compromise whereby he himself, rather than the Prime Minister, would offer to receive the Delegation, including the PLO representative, subject to two provisos: that the PLO must reject all routes to a Middle East settlement other than a peaceful one; and that it must accept Israel's right to exist on the understanding that Israel would recognise the legitimate rights of the Palestinian people. It had to be acknowledged that the Delegation might well refuse to come to London on this basis, with serious consequences for the United Kingdom's standing in the Middle East. But there was no prospect at all of it coming if the proposed inclusion of a PLO representative were simply declined.

THE PRIME MINISTER, summing up a short discussion, said that there could be no question of agreeing to receive the Delegation, with PLO membership, unless the PLO accepted the provisos suggested. The inclusion of a PLO representative in an Arab League Delegation which had been received earlier in the year by the Minister of State, Foreign and Commonwealth Office (Mr Hurd) had attracted widespread criticism among the Government's supporters: but an unconditional rejection by the United Kingdom of the Arab League's approach would have damaging consequences in the Middle East; and if the PLO agreed expressly to reject terrorism it would have become, in effect, a different organisation.

The Cabinet -

1. Agreed that the response to the Arab League's approach should be in the terms suggested by the Foreign and Commonwealth Secretary.

Soviet Union
Previous
Reference:
CC(82) 49th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY drew attention to a statement by the new First Secretary of the Soviet Communist Party, Mr Andropov, to the effect that he was not a unilateralist and that the Soviet people did not rely on unilateral disarmament by the West.

The Cabinet -

2. Took note.

COMMUNITY
AFFAIRS

Common
Fisheries
Policy

Previous
Reference:
CC(82) 49th
Conclusions,
Minute 3

3. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Prime Minister's message to the French Prime Minister, following the Danish Prime Minister's visit to London on 22 November, had had the desired effect of keeping the French government from contemplating any further concessions to Denmark. A meeting of the Council of Ministers (Fisheries) had been arranged for Monday 29 November. The plan was to demonstrate to the Danes that their lobbying had had no success in producing new concessions and to instruct the Commission to prepare proposals for national measures to fill a possible legal vacuum after 1 January. These proposals would be considered at the next following Fisheries Council on 6 December unless the Danes agreed to accept the package on offer in the meantime. The Minister had consulted his French, German and Dutch colleagues who all agreed that it was essential that the question be placed on the agenda of the European Council in Copenhagen, thus exposing the Danish government to the maximum embarrassment. If the pressure were kept up effectively for another week it was possible that the Danish Prime Minister would announce his acceptance of the package at the beginning of the European Council in order to ensure that Council's success.

Council of
Ministers
(Budget)
22 November

THE CHANCELLOR OF THE EXCHEQUER said that the Budget Council had met to consider proposals by the European Parliament to change the draft 1983 budget. The matter was important to the United Kingdom because the Parliament was also considering at the same time the draft amending Budget for 1982 which would provide the money for the refunds to the United Kingdom agreed by the Council of Ministers in October. As usual, the European Parliament wanted to increase the provision for the Regional and Social Funds. The United Kingdom had given this desire support because we were net beneficiaries from these funds. In the end, the Council agreed to certain increases by a qualified majority vote, with France and Belgium voting against. Whether the concessions agreed would satisfy the Parliament remained to be seen. There might need to be another meeting of the Budget Council in December.

The
Community
Budget

Previous
Reference:
CC(82) 49th
Conclusions,
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY reported that the Commission's paper about the solution to the United Kingdom budget problem for 1983 and later had been discussed briefly at the Council of Ministers (Foreign Affairs) on 22 November. Most of the comment was hostile to the Commission's ideas but the Council had agreed to set the Committee of Permanent Representatives to work and had instructed them to report back to the meeting of the Foreign Affairs Council in January.

Sales of
Food to the
Soviet Union

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that the evidence was now increasing that the French government had signed an agreement with the Soviet Government to provide the Soviet Union with large quantities of butter and cereals over a three year period. The French Government had absolutely no right to do such a thing and, if they persisted in such unilateral acts, would undermine the whole basis of the Common Agricultural Policy. It was important that, in any discussions with members of the European Commission, Ministers should express the United Kingdom's indignation and grave concern.

Steel

Previous
Reference:
CC(82) 45th
Conclusions,
Minute 4

THE SECRETARY OF STATE FOR INDUSTRY reported that the Informal Meeting of Industry Ministers held in Elsinore in Denmark on 18 November had been quite satisfactory from the United Kingdom's point of view. Only Italy had resisted a consensus that plans for reducing steel capacity in all member states had to be rigorously implemented. The European Commission had considerable powers for enforcing this policy if they chose to use them. The Commission representative had also outlined ideas for improving the enforcement of the mandatory production quota arrangements and the pricing provisions on the European market. There was now some prospect of a firming up of the Community market. On 22 November the Foreign Affairs Council had given the Commission a tough mandate for negotiating restrictions on imports of steel from third countries.

In discussion it was suggested that the Community Steel Policy was unlikely to be viable because the Community was trying to increase prices at a time of excess supply. The result would be that cut-price steel would be on offer and the Community market undermined. On the other hand, it was pointed out that the Community policy had been developing quite well until the United States action in the spring which had led to the disruption of the market. If the latest decisions failed to restore order, then the United Kingdom would need to consider taking unilateral action. Such a policy would present the Government with a difficult choice between increased subsidisation of the British Steel Corporation and forcing United Kingdom consumers to pay uncompetitive prices for their purchases of steel.

The Cabinet -

1. Took note.

Commercial
Policy

Previous
Reference:
CC(82) 43rd
Conclusions,
Minute 3

THE SECRETARY OF STATE FOR TRADE said that the Ministerial Meeting of the General Agreement on Tariffs and Trade (GATT) in Geneva had opened with a wide measure of disagreement among the participants on every issue. The objectives of the participants were quite incompatible. The developing world had seen the meeting as an opportunity to dismantle the multi-fibre agreement and the voluntary restrictive arrangements whereas the industrialised countries had no intention of doing so. The United States wanted to attack the Common Agricultural Policy which the Community countries were resolved to defend. The Australians wanted to roll back protectionist measures in other countries while retaining their excessively high tariff regime themselves. The outcome of the meeting was likely

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to be an ambiguously worded statement of good intentions accompanied by individual statements of dissent by various participants. It was possible that the meeting would agree to studies that could be of value to the United Kingdom - for example on the treatment of services - but this was not certain. It was clear that none of the GATT provisions would be amended as a result of the meeting.

Japan

THE SECRETARY OF STATE FOR TRADE said that the European Community was pressing on with its dialogue with Japan under the provisions of Article XXIII of the GATT. Reports from Washington indicated that the United States Administration had lost patience with Japan and was preparing various forms of retaliatory action after the GATT Ministerial meeting was over. A figure of \$40 billion had been mentioned as the prospective United States deficit in trade with Japan. In the end it was likely that the Japanese problem would be dealt with by a series of bilateral negotiations with the Japanese government. The United Kingdom would need to press them hard to increase investment in the United Kingdom.

In a brief discussion it was suggested that the key to the Japanese problem was the under-valuation of the yen. Recent developments in the foreign exchange markets had resulted in some correction of this, both against the dollar and the pound; but the Japanese authorities should be pressed to change their policies so as to facilitate inflows into the yen. A separate and equally important cause of the Japanese problem was the superior design and quality of Japanese goods.

The Cabinet -

2. Took note.

4. THE SECRETARY OF STATE FOR EMPLOYMENT said that although the pay negotiating arrangements in the water industry in England and Wales gave each side the right of unilateral access to arbitration, and the employers had invoked this right, they did not specify an arbitrator. The Advisory, Conciliation and Arbitration Service (ACAS) was reluctant to provide arbitration machinery on the grounds that it was empowered to act only when both sides to a dispute had agreed to arbitration. The unions were resisting arbitration, probably with the intention of putting pressure on the employers to increase their pay offer. He would keep in mind the possibility of talking to Mr Lowry, the Chairman of ACAS at an appropriate moment.

The Cabinet -

1. Took note.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the Royal College of Nursing was still balloting its members on the Government's recent pay offer; a similar offer had been made to the professions supplementary to medicine, who were considering it. Industrial action in the National Health Service was continuing to decline. Most of the unions appeared to want a settlement, but the situation remained delicate.

The Cabinet -

2. Took note.

THE SECRETARY OF STATE FOR INDUSTRY said that some trade unions were attempting to prevent the import of certain consignments of steel from Japan and South Africa. It was likely that the ships involved would be diverted to continental ports, where their cargoes could be divided and transported to this country by smaller vessels. The Employment Act 1980 gave persons whose commercial interests were damaged the right to sue individuals involved in the blockade. Any such action would be embarrassing for the Government; but the Government had no power to prevent it. In general, the Japanese and South Africans had co-operated fully with the European Commission in its attempts to restrain imports of steel. He would discuss with the Secretary of State for Employment whether the Government should informally draw this fact to the attention of the trade unions. On the other hand, one of the Japanese firms concerned had not been co-operative; and it was possible that the European Commission might decide to take anti-dumping action against it. It might therefore be wiser for the Government to avoid any intervention.

The Cabinet -

3. Took note.

Cabinet Office

25 November 1982

INDUSTRIAL
AFFAIRS

Water Industry
Pay
Negotiations
Previous
Reference:
C(82) 49th
Conclusions,
Minute 4

National
Health
Service Pay
Dispute
Previous
Reference:
C(82) 49th
Conclusions,
Minute 4

Steel Imports