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CC(82) 24th  
Conclusions

COPY NO 79

CABINET

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CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 6 MAY 1982  
at 10.30 am

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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

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

SECRET

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

ALSO PRESENT

The Rt Hon Michael Jopling MP  
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong  
Mr P L Gregson (Items 4 and 5)  
Mr D J S Hancock (Item 3)  
Mr R L L Facer (Item 2)  
Mr D H J Hilary (Item 1)  
Mr M S Buckley (Items 4 and 5)  
Mr L J Harris (Item 1)  
Mr D H Colvin (Item 2)

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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

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Falkland  
Islands

Previous  
Reference:  
CC(82) 23rd  
Conclusions

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the United States Secretary of State, Mr Haig, had accepted the amendments to his proposals for a diplomatic solution to the dispute which had been put to him following the Cabinet's discussion the previous day. Mr Haig would now put the proposals to the Peruvian Government, who, if they agreed, would put them formally to the United Kingdom and Argentine Governments later on 6 May. The latest indications were, however, that the Argentine Government was unlikely to accept them and would instead seek to engage the United Nations (UN) as a mediator in the dispute. The Secretary General of the UN, Mr Perez de Cuellar, had set out his own ideas to secure the implementation of Security Council Resolution 502. These ideas involved mutual withdrawal of forces from the Falkland Islands by a date to be agreed, termination of the exclusion zones and of sanctions, a cease-fire, and negotiations on a long-term solution without pre-conditions, to be completed by a date to be agreed. Details of transitional arrangements and machinery for supervising implementation were left unresolved, nor was any date fixed for the completion of the withdrawal of forces. The Argentine Foreign Minister, Mr Costa Mendez, was reported to have made a positive response to the UN Secretary General's proposals. The Defence and Overseas Policy Committee's Sub-Committee on the South Atlantic and the Falkland Islands had decided that the Government should also give a positive response, while not doing anything to frustrate the United States-Peruvian initiative. He would be sending Mr Haig an immediate message to this effect.

In discussion the point was made that the United States-Peruvian proposals could be presented as a means of giving effect to the framework proposed by the UN Secretary General. British interests required continued efforts to work through the United States rather than the UN, so long as the United States-Peruvian initiative was alive, though care should be taken not to rebuff Mr Perez de Cuellar. It was essential not to allow the diplomatic initiative to pass to Argentina; it would therefore be to our advantage that the United States-Peruvian proposals should be published and the Argentines asked what aspects were unacceptable to them. It was important also to counter Press reports that British warships in the South Atlantic lacked effective defence against the Exocet missile which put HMS Sheffield out of action. The fact was that British forces had several methods of defence against the missile but no defence could be completely certain of success.

The Cabinet -

Took note.



COMMUNITY  
AFFAIRS

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Council of  
Ministers  
(Agriculture)  
28-30 April

Previous  
Reference:  
CC(82) 19th  
Conclusions,  
Minute 4

Council of  
Ministers  
(Industry)  
4 May

30 May Mandate

Previous  
Reference:  
CC(82) 20th  
Conclusions,  
Minute 2

3. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that, at the Council the previous week, seven member states had agreed with a compromise set of proposals for the agricultural price settlement put forward by the Presidency. Italy and Greece had entered general reservations in addition to that of the United Kingdom. There would be a further meeting on 10 May at which it was probable that the Italian and Greek problems would be solved so that the United Kingdom would then be opposing the Presidency compromise on its own.

In discussion it was pointed out that the price proposals would inspire headlines about the increase of the cost of basic foodstuffs, like butter, in the shops. However, the price of butter was dominated by the marketing policy of New Zealand and the pattern of butter prices over the period ahead could not be predicted from the price settlement alone. The overall effect of the Presidency proposals on the food index was small, 1.2 per cent.

THE SECRETARY OF STATE FOR INDUSTRY reported that the discussion of industrial strategy at the Council on 4 May had revealed a split between the restrictive attitude towards foreign investment in the Community by the French and Italians and the more liberal attitude of the rest of the Community. The discussion on steel had been ill-prepared and little progress had been made. Another meeting was arranged for 26 May. In an informal discussion Monsieur Davignon, the responsible Commissioner, had reported to Ministers on the negotiations with the United States about the anti-dumping actions and had suggested that it would be possible to secure a negotiated settlement. The German and Dutch Ministers had expressed doubts about this and preferred to see the actions run their course.

THE FOREIGN AND COMMONWEALTH SECRETARY said that he would be discussing the Mandate and sanctions against Argentina at an informal meeting of Foreign Ministers on 8-9 May. The discussions would undoubtedly be very difficult. Some member states, in particular Italy and Ireland, were troubled at the prospect of renewing the Community's economic measures against Argentina. Although this subject was in fact quite separate from the Mandate and farm prices, a connection undoubtedly did exist in the minds of other Foreign Ministries.

In discussion it was pointed out that a failure by the other Community countries to continue their support for the United Kingdom over the Falkland Islands would be likely to do irreparable damage to public attitudes to the Community in the United Kingdom, a point which was undoubtedly appreciated by some member states, in particular Germany and the Netherlands. In any case, the budget problem was a separate issue and the other member states must understand the need to deal with the continuing burden which the Community budget arrangements imposed on the United Kingdom.



The Cabinet -

Took note.

PUBLIC  
SERVICES PAY

Previous  
Reference:  
CC(82) 21st  
Conclusions,  
Minute 3

4. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(82) 19) on the recommendations of the Top Salaries Review Body. They also had before them a memorandum by the Chancellor of the Exchequer and the Lord President of the Council (C(82) 20) on the pay and allowances of Members of Parliament and Ministers in 1982. The Cabinet's discussion and conclusions reached are recorded separately.

INDUSTRIAL  
AFFAIRS

Previous  
Reference:  
CC(82) 19th  
Conclusions,  
Minute 5

5. THE SECRETARY OF STATE FOR EMPLOYMENT recalled that the trade unions concerned had threatened to call a national dock strike the following week. The Parliamentary Under Secretary of State, Department of Employment, had recently held a meeting with the unions at which he had persuaded them to withdraw this threat. He had done so by undertaking that, if the trade unions brought forward specific proposals for extending the Dock Labour Scheme to particular ports or wharves the Government would consider them. There was no commitment on the Government's part to accept such proposals; and it had been made clear that a heavy burden of proof would lie on those advancing them.

The Cabinet -

Took note.

Cabinet Office

6 May 1982



Sir R. Amshold

(BV)

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CABINET

## LIMITED CIRCULATION ANNEX

CC(82) 24th Conclusions, Minute 4

Thursday, 6 May 1982 at 10.30 am

The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(82) 19) on the recommendations of the Top Salaries Review Body (TSRB), and a memorandum by the Chancellor of the Exchequer and the Lord President of the Council (C(82) 20) on the pay and allowances of Members of Parliament (MPs) and Ministers in 1982.

THE CHANCELLOR OF THE EXCHEQUER said that at their previous discussion of this subject the Cabinet had decided that the award of the Civil Service Arbitration Tribunal (CSAT) and the recommendations of the Armed Forces Pay Review Body (AFPRB) should be accepted; and that the remuneration of National Health Service (NHS) doctors and dentists should be increased by an average of 6 per cent from 1 April 1982, instead of the average of 9 per cent recommended by the Doctors' and Dentists' Review Body (DDRB). The Cabinet had also decided that the recommendations of the TSRB on the pay of senior civil servants, senior officers of the Armed Forces, and members of the Judiciary should be accepted, subject to a reduction in the range of 5 percentage points to one-third of the proposed increases. He had been invited, in consultation with the other Ministers chiefly concerned, to circulate detailed proposals on these lines. He had prepared three schemes, set out in detail in C(82) 19, as follows:-

- Option A: A reduction of about 5 percentage points in all increases.
- Option B: A reduction of about one-third in all increases; and
- Option C: Increases based on Option B, but seeking to allocate increases in a way which preserved the pattern of internal relativities recommended by the TSRB, and modestly improving the differentials between the lowest grades covered by the TSRB and their immediate juniors.

PUBLIC  
SERVICES  
PAYPrevious  
Reference:  
CC(82) 21st  
Conclusions,  
Minute 3



He recommended Option C. Under this option, senior civil servants and Service officers would receive increases averaging 14.5 per cent, and members of the Judiciary increases averaging 18.6 per cent. Overall, the average increase would be 16.5 per cent, compared with the 21.9 per cent recommended by the TSRB; the average increase over the pay levels recommended in 1980 by the TSRB was 11.3 per cent.

He and the Lord President of the Council recommended that the Government should propose to the House of Commons that the pay of MPs and of Ministers, and MPs' secretarial allowances, should be increased by 4 per cent.

The timing of announcements would need careful consideration. There were arguments for linking an announcement concerning the pay of MPs and Ministers with announcements concerning the pay of the TSRB groups, the pay of other public service groups, or both; but it was not essential to do so.

In discussion, the following main points were made:

- a. There were arguments for a more stringent approach to the pay of TSRB groups than Option C; there were also arguments for greater generosity. On balance, Option C was a reasonable compromise.
- b. An immediate announcement of the Government's decisions on the TSRB recommendations could adversely affect current pay negotiations in the NHS and elsewhere. It would also make it significantly more difficult to persuade the medical and dental professions to accept the intended reduction in the recommendations of the DDRB from 9 per cent to 6 per cent.
- c. On the other hand, the NHS negotiations would continue for several weeks. It was not realistic to suppose that the announcement of decisions on the TSRB recommendations could be delayed for so long. Even if this were not so, there was no time at which an announcement would be free from political and presentational difficulties.
- d. It was open to question whether NHS workers, with the possible exception of doctors and dentists, would regard pay increases for the groups covered by the TSRB recommendations as relevant to their own claims. In any event, the Government should be prepared robustly to defend its decisions. The groups concerned had been less favourably treated than any others in the public services since 1980 and were now markedly underpaid by comparison with senior managers in industry and commerce. It would be not only in accordance with the Government's underlying principles and objectives but also essential for the efficiency of the public service that this should be put right.



e. A group which would certainly be influenced by the Government's decisions on the TSRB recommendations was nationalised industry board members. It would be desirable for the Government to decide its policy towards this group as soon as possible.

f. The decisions which the Cabinet had already taken on the award of the CSAT and the recommendations of the AFPRB and the DDRB should have a favourable effect on pay negotiations elsewhere. There was a danger that, if the announcement of those decisions was coupled with an announcement of decisions on the TSRB recommendations, the latter would dominate public presentation.

g. MPs were likely to accept that an increase in their pay and allowances of 4 per cent was reasonable; and there was general agreement with the proposals in C(82) 20 on the pay of Ministers. An announcement about the pay of MPs and Ministers would attract considerable public attention. This suggested that it might be desirable to couple such an announcement with the announcement of the Government's decisions on the TSRB groups.

h. It would be difficult to make an immediate announcement about the pay of MPs, since it was usual to consult, among others, leading members of the Opposition Parties. However, there was no reason why an announcement should not be made in the following week. This timing would not avoid all the possible effect on pay negotiations in the NHS and elsewhere, to which attention had been drawn in discussion; but it would largely satisfy the other points which had been made concerning the presentation of the Government's decisions.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet accepted the proposals described as Option C in C(82) 19 regarding the pay of senior civil servants, senior officers in the Armed Forces, and members of the Judiciary. They also agreed that the Government should propose to the House of Commons that the pay of MPs and of Ministers, and MPs' secretarial allowances, should be increased by 4 per cent. She would announce that afternoon the decisions already taken by the Government on the award of the CSAT and the recommendations of the AFPRB and DDRB. The Government's decisions on the TSRB recommendations, and its proposals on the pay and allowances of MPs and Ministers would be announced the following week, when the Lord President of the Council had been able to carry out the necessary consultations.



The Cabinet -

1. Agreed that the pay of senior civil servants, senior officers in the Armed Forces, and members of the Judiciary should be increased as proposed under Option C in C(82) 19.
2. Agreed that the Government should propose to the House of Commons that the pay of Members of Parliament and of Ministers, and the secretarial allowances of Members of Parliament, should be increased by 4 per cent.
3. Invited the Lord President of the Council to carry out consultations in the House of Commons as appropriate in preparation for an announcement of the Government's proposals under Conclusion 2.
4. Took note that the Prime Minister would that day announce the Government's decisions concerning the award of the Civil Service Arbitration Tribunal and the recommendations of the Armed Forces Pay Review Body and the Doctors' and Dentists' Review Body.
5. Took note that the Prime Minister intended in the following week to arrange for the announcement of the Government's decisions concerning the recommendations of the Top Salaries Review Body and its proposals on the pay of Members of Parliament and of Ministers, and the allowances of Members of Parliament, when the Lord President of the Council had completed his consultations under Conclusion 3.

Cabinet Office

7 May 1982