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CC(80) 24th
Conclusions

COPY NO 80

CABINET

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

THURSDAY 19 JUNE 1980

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 Hallsham
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 Sir Ian Gilmour MP
Lord Privy Seal

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 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-Stevs 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

SECRET

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Norman Fowler MP
Minister of Transport

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

Earl of Gowrie
Minister of State,
Department of Employment (Item 4)

SECRETARIAT

Sir Robert Armstrong
Mr M D M Franklin (Items 2 and 3)
Mr P Le Cheminant (Item 4)
Mr P J Harrop (Item 1)
Mr R L Wade-Gery (Items 2 and 3)
Mr W N Hyde (Item 1)
Mr D J L Moore (Item 4)

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PARLIAMENTARY
AFFAIRS

1. THE CHANCELLOR OF THE DUCHY OF LANCASTER informed the Cabinet of the business to be taken in the House of Commons during the following week. It had been agreed through the usual channels that the Opposition should choose the subjects for debate on Friday 27 June, when there would be debates on the musicians' dispute with the British Broadcasting Corporation (BBC) and on wages in South Africa. There would be only a one-line whip for Government supporters for what were likely to be low-key debates.

Musicians' Dispute
with the British
Broadcasting
Corporation

Wages in
South Africa

THE PRIME MINISTER, summing up a brief discussion, said that Ministerial responsibility for both the subjects selected by the Opposition was very limited, and the Government spokesmen should make this clear. It would be for a Home Office Minister to reply to the debate on the musicians' dispute with the BBC; he should emphasise the implications of Government interference in BBC management and programming decisions, inherent in any suggestion that the Government should urge them to continue to support more orchestras than they thought they could afford to do. The debate on wages in South Africa was likely to centre on the Government's refusal to provide the House with a list of British companies which, on the basis of information they had supplied to the Government, might be paying inadequate wages to their employees in South Africa. The Trade Minister who replied to the debate should repeat that relevant information was available in the Library of the House, and should emphasise the strong objections to publishing a list which was liable to be both incomplete and inaccurate but which would attract absolute Parliamentary privilege.

The Cabinet -

1. Invited the Secretary of State for the Home Department and the Secretary of State for Trade, in consultation with the Chancellor of the Duchy of Lancaster and the Parliamentary Secretary, Treasury, to make arrangements for the debates on Friday, 27 June on the lines indicated in the Prime Minister's summing up of their discussion.

Legislation in the
House of Lords

Previous
reference:
C(80) 11th
conclusions,
Minute 2

THE LORD PRESIDENT OF THE COUNCIL said that the volume of Government legislation now going through the House of Lords was causing serious problems for the management of Government business there. The number and length of debates, including some all-night sittings, was putting an increasing strain on Government supporters. During the Committee Stage of the Social Security (No. 2) Bill the Liberal and cross-bench peers had supported the Labour Opposition and the Government's majority had twice been in single figures. He was grateful to those of his colleagues who had

been able to avoid the need for substantial Government amendments to Bills in the House of Lords. The number of amendments tabled to the Transport Bill had required the allocation of two additional days to the Bill; and he was concerned at the prospect of a large number of Government amendments to the Housing Bill, some of which would be controversial. This matter would be further discussed at a meeting of the Home and Social Affairs Committee that afternoon.

The Cabinet -

2. Took note.

FOREIGN
AFFAIRS

New Hebrides

Previous
reference:
;(80) 23rd
conclusions,
note 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the attitude of the French Government continued to be affected by their annoyance at the success of the anglophones in the islands' elections, but they had now agreed to resume negotiations with the Minister of State, Foreign and Commonwealth Office, Mr Blaker, who was on his way to Paris for talks with the Minister for Overseas Territories, M. Dijoud. The latter appeared to have been instructed to be more co-operative. It remained the British objective to bring the New Hebrides to independence on the due date and on the basis of the existing constitution. If law and order and the writ of the duly elected Government could be restored on the secessionist island of Santo, it might be possible to withdraw the Royal Marine detachment as far as Fiji. Their positioning would then be comparable to that of the French gendarmes in New Caledonia.

Western
alliance

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Seven-power Summit Meeting in Venice on 22-23 June was expected to devote part of its time to political discussion. This could provide a valuable opportunity for demonstrating the basic unity of outlook among the main industrial nations of the West, particularly in relation to the Afghanistan crisis. It was to be hoped that the Ankara Ministerial Meeting of the North Atlantic Treaty Organisation on 25-26 June would similarly be an occasion for underlining Western unity.

Olympic Games

Previous
reference:
;(80) 23rd
conclusions,
note 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had just seen the chairman of the British Olympic Association and the chairmen of the governing bodies of British sports federations intending to take part in the Moscow Olympics. He had sought to impress on them, against the background of the latest events in Afghanistan, the extent to which the Soviet authorities would be able to exploit for political purposes the presence of British athletes at

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the Games. Although some of the chairmen were clearly becoming uncomfortable with their present policy, it did not seem very likely that any of them would change their minds. But it was encouraging that doubts were beginning to be expressed by a number of individual athletes.

by

previous
reference:
C(80) 19th
conclusions,
minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Head of the Libyan Mission in London had been expelled because of his public threats against the lives of two Libyan exiles in Britain. It seemed possible that he had been exceeding his instructions, since the Libyan Government had not so far retaliated against Her Majesty's Ambassador. The British Embassy in Tripoli had suffered minor damage from an attempt at arson, but the Libyan authorities had co-operated in putting out the fire.

aq

THE FOREIGN AND COMMONWEALTH SECRETARY said that an unsuccessful attack had just been made on the British Embassy in Baghdad. It did not seem to have been inspired by the Iraqi Government, whose security forces had dealt effectively with the attackers. He would mention the matter at his forthcoming meeting with the Iraqi Foreign Minister, who was in London on a private visit for medical treatment. He would also raise the subject of the two British citizens in prison in Iraq. Although the Foreign Minister had cancelled his official visit to Britain, and had been followed in this by the Trade Minister, it might now be possible to consider trying to reinstate the Trade Minister's visit, given the potential importance of Iraq as a market for British exports.

Official Dealings
with Foreign
Ambassadors

THE FOREIGN AND COMMONWEALTH SECRETARY said that it would be helpful if his colleagues could make a point of ensuring that the Foreign and Commonwealth Office was informed in advance before they made official approaches to foreign Ambassadors. Only the Foreign and Commonwealth Office could judge the impact of a particular approach, especially if a complaint was involved, on the totality of Britain's relations with the country concerned.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

European Council
Nice
-13 June 1980

3. THE PRIME MINISTER said that the main outcome of the recent meeting of the European Council had been a communique on the Middle East, the text of which represented a well-balanced statement since it insisted that no final settlement would be possible without, on the one hand, recognition of Israel's right to exist and, on the other hand, the right of the Palestinian people to determine their own future. The Leader of the Opposition had criticised the use of the term "self determination", but it did not in fact necessarily imply the creation of a Palestinian state. With some help from the Dutch and the Belgians she and the Foreign and Commonwealth Secretary had been able to insist on referring to the "association" rather than the "participation" of the Palestine Liberation Organisation (PLO) in the negotiations. Even the reference to the association of the PLO with such negotiations had been criticised in an Early Day Motion signed by a number of Government supporters as well as by Opposition Members.

Apart from discussions on the Middle East, Heads of Government had had a useful broad debate on the economic situation and Community matters. It was encouraging that such an exchange of views had been possible without the European Council feeling the need to issue detailed pronouncements. While it did not seem likely that serious progress on restructuring the Community Budget would be possible until after the German and French elections, it was clear that Chancellor Schmidt was anxious to reduce the financial burden placed on the Federal Republic as a result of the arrangements agreed to reduce our net contribution.

In discussion the following points were made:-

- a. The Germans were now as worried as we had been over the burden of the Community's existing budgetary arrangements. Even in regard to the Common Agricultural Policy the need for changes was increasingly recognised although the smaller countries who were now net beneficiaries from the Community Budget would resist. The Germans also shared our view about the need to maintain the present 1 per cent ceiling on the Value Added Tax (VAT) contributions to the Community Budget, and German fears that there might be residual obligations on national Governments to meet payments once that limit was reached were being urgently studied.
- b. The European Council had not been able to agree on a successor to Mr Roy Jenkins as President of the Commission. This had been a disappointment for the Luxembourg Foreign Minister, Mr Thorn, who had hoped to be appointed. It was suggested that, since restructuring of the Community Budget would be a major task for the next Commission a competent ex-Finance Minister would be a good choice. No such

candidate had been proposed in Venice. The Italian Government had not, as we had hoped, been able to put forward Signor Pandolfi. The name of Mr Duisenberg, a former Dutch Finance Minister, had been mooted, but the Dutch Government had been reluctant to put forward someone from an Opposition party. Another possibility would be Mr Van der Stee, the present Dutch Finance Minister.

Common Fisheries
Policy

Previous
reference:
(80) 21st
conclusions

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Council of Ministers (Fisheries) on 16 June had taken place in a friendly atmosphere, as had his bilateral meetings with French, Irish and German Fisheries Ministers. Although it was known that Chancellor Schmidt was pressing for an early fisheries settlement, the German delegation appeared to be taking a realistic view, and he did not exclude the possibility of eventually finding a solution on access which would suit our interests and safeguard those which the Federal Republic had, notably in Danish waters. As a result of consultations with the Irish, the Danes and the Italians, we were no longer faced with a situation in which the other eight Member States were putting us in a minority of one. Nevertheless we were not in a strong negotiating position, because the Treaties did not ensure the maintenance of preferential access beyond the end of 1982. It was reasonable to suppose that we would be able to negotiate continued preferential access within 12 miles and some arrangements beyond which would suit the interests of our inshore fishermen. There would have to be some Community financial arrangements for the distant water fleet. The next meeting of the Fisheries Council scheduled for 21 July would be crucial. The Commission were due to make proposals on both quotas and access following bilateral consultations with us and the other major fishing nations.

New Zealand
Dairy Products

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that, at the recent meeting of the Council of Ministers (Agriculture) Commissioner Gundelach had dealt well with the need to provide for continued access to the Community market for New Zealand butter. The Council had appointed a special committee of representatives of Ministers to advise him on the Commission's proposals.

Community
Budget

Previous
reference:
C(80) 23rd
conclusions,
minute 3

THE CHANCELLOR OF THE EXCHEQUER said that, at the meeting of the Council of Ministers (Budget) on 18 June, the Financial Secretary, Treasury, had secured satisfactory references to the possibility that we might, both in 1980 and 1981, be able to claim advance payments of the monies due to us under the recent Budget settlement. The Germans in any case intended that these payments should reach us during the first quarter of the next calendar year.

The Cabinet -

Took note.

TOP SALARIES
REVIEW BODY
REPORT:
PRELIMINARY
DISCUSSION

4. The Cabinet considered a note by the Secretary of the Cabinet (C(80) 20) covering a summary of the 14th Report of the Top Salaries Review Body (TSRB) dealing with the pay of the Higher Civil Service, senior officers of the Armed Forces, the higher Judiciary and Nationalised Industry Chairmen and Board Members.

The Cabinet's discussion and conclusions are recorded separately.

Cabinet Office

20 June 1980

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CABINET

LIMITED CIRCULATION ANNEX

CC(80) 24th Conclusions, Minute 4

Thursday 19 June 1980 at 10.30 am

TOP SALARIES
REVIEW BODY
REPORT:
PRELIMINARY
DISCUSSION

The Cabinet considered a note by the Secretary of the Cabinet (C(80) 30) covering a summary of the 14th Report of the Top Salaries Review Body (TSRB) dealing with the pay of the higher Civil Service, senior officers of the Armed Forces, the higher Judiciary and Nationalised Industry Chairmen and Board Members.

THE PRIME MINISTER said that the Cabinet was being invited to have a first discussion, without decisions, on the recommendations of the TSRB on the pay of senior public servants. A further report on the pay of Members of Parliament and Ministers was expected shortly. The two Reports would need to be considered together before final decisions were taken.

In discussion the following main points were made:-

a. The recommendations in TSRB 14 related to groups who had already completed the phased implementation of earlier awards and who were therefore already receiving the rates of pay accepted by the Government as appropriate at 1 April 1979. The new Report's recommendations were designed to update the 1979 levels to those appropriate at 1 April 1980. The position of Ministers and Members of Parliament differed in that Members of Parliament had just received the second instalment of a three-stage adjustment designed to bring their pay to the appropriate rates as at 13 June 1979. The Report expected shortly would update the earlier recommendations to 1980 levels but the third stage payment would remain to be made. Both this year's and next year's stage payments to Members of Parliament, but not any updating increases, were covered by the Order which had been made last year. On the other hand Ministers had not yet received the second stage payment arising from last year's award, and an Order implementing this stage and any updating would be required before payment could be made. It would be convenient if any Order for this purpose could also deal with the third stage payment to Ministers due next year.

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b. The recommendations in TSRB 14 ranged from 16 to 30 per cent for individual grades and posts. The highest recommended increases related to the lowest grades dealt with by TSRB (Under Secretaries, Major Generals and their equivalents, and ordinary Board Members of Nationalised Industries) where there were particular problems in maintaining a reasonable differential between their pay and that of the grades immediately below them whose pay was determined by other means. Apart from the recommendations reflecting particular problems with differentials, the recommendations of the TSRB were broadly in line with those earlier made, and accepted, for National Health Service Doctors and Dentists.

c. The TSRB's recommendations were among the later settlements in the 1979-80 pay round. The Government's decisions would be seen as an indication of their attitude to pay in the coming 12 months. It was also relevant that settlements for the 1979-80 pay round were still outstanding in respect of some 2 million other public sector employees including the nurses, the teachers and the Post Office engineers. The nurses were currently balloting on a pay offer of 14 per cent; the local authorities were seeking to hold the teachers' current pay settlement to low figures; and difficult pay negotiations with the Post Office Engineering Union were in immediate prospect. The timing and quality of the Government's decisions would have to take account of these factors.

d. Financial and cash limit considerations were in this case secondary, because the total amounts of money involved were not great; but the absolute levels of remuneration and the absolute amounts of any increases were such that adverse comment was likely to ensue, whatever the Government's decisions. In that sense there might be no obviously right decision available; but a seriously wrong decision could have the most damaging consequences for the Government's policies for reducing the levels of pay settlements in the public sector. Implementation of the TSRB's recommendations in full seemed very difficult to contemplate: the question was rather by how much to abate them. This could not be a matter of a single absolute or proportionate reduction, given the need to maintain reasonable differentials. Careful and detailed study would be required before decisions could be reached.

e. Past experience suggested that neither staging nor requests for voluntary forgoing of some part of the increases recommended would be a satisfactory way of proceeding.

f. The Ministerial Committee on Economic Strategy had agreed at a recent meeting (E(80) 16th Meeting) that in future the TSRB should no longer be invited to advise on the remuneration of Chairmen and Board Members of nationalised industries and other essentially trading public corporations. The Review Body had also, in its Report, expressed its own doubts about the appropriateness of continuing to make recommendations in this area. The precise boundaries of the TSRB's new and limited remit in relation to chairmen and members of public bodies needed to be defined, and no decision had yet been taken on the timing of an announcement or on whether the TSRB's current recommendations in this area should be acted upon. Discussion showed wide support for the decision taken by E Committee, though fears were expressed that greater freedom in settling nationalised industry salaries would exert an upward pressure both on those salaries and on those of appointees to posts in the public sector, like chairmanships of non-trading corporations, where market forces could not be a principal determinant.

g. Appointments to the judiciary represented a special problem. Those appointed to the Bench were recruited from the highly competitive and commercially-oriented world of the Bar where the rewards for success could be very high. Unless due account were taken of this, it would be very difficult to maintain the quality of justice. An unprecedentedly large number of those approached were now refusing appointment to the High Court, and the calibre of Judges in the Circuit Courts was declining. The mechanism for establishing judicial salaries must be capable of retaining the confidence of the profession, if substantial and irreversible damage was not to be done to the administration of justice.

h. The Government's pledge to the Armed Forces was absolute. It would be very difficult to draw a distinction between the senior ranks covered by TSRB 14 and the junior ranks covered by the Armed Forces Review Body.

j. The Government's pledge to update the second stage payment to Members of Parliament this year, and the third stage next year, on lines to be recommended by the TSRB, had also been absolute. This need not prevent the House of Commons from deciding to forgo part of the increases. The Government would have to table a motion, but the decision was for the House to take. There were signs that opinion among the Government's supporters in the House was moving in the direction of a degree of abatement of the increases likely to be recommended by the TSRB, though a significant number of them were still opposed to the concept. The position of the Opposition was less certain, but the majority were likely to be against any abatement. No judgment could yet be made of the outcome of a vote in the House on this issue.

k. Attention would also need to be given to the position of junior Ministers. Those in the House of Commons would have gained from an increase in their Parliamentary pay, but junior Ministers in the House of Lords had no such recourse. In considering these matters, a clear distinction should be drawn between the implementation of the remaining stages of the recommendations about Ministers' pay made by the TSRB last year, and updating to take account of current circumstances. The stage payments should be implemented without question and the necessary Order to this effect should be introduced at an appropriate time.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet had confirmed the earlier decision of the Ministerial Committee on Economic Strategy that the Chairmen, Deputy Chairmen and other board members of nationalised industries and other essentially trading public corporations should be excluded in the future from the ambit of the TSRB. Decisions had not been taken about the precise boundaries of the TSRB remit, about the timing of an announcement, or about whether to act upon the recommendations for nationalised industry board members. The Cabinet were also agreed that the remaining stage payments due, under earlier decisions, to Members of Parliament and Ministers should be made on the due dates, though the timing of an announcement about Ministers' pay and of the tabling of any necessary Orders was reserved for later decision. The question of updating the payments to be made to the TSRB groups, including Ministers and Members of Parliament, were a different matter. There was a wide measure of agreement that the political case for not implementing the TSRB recommendations in full was very strong. On the other hand it was not possible to approach this matter either by setting an arbitrary percentage increase for all salaries concerned or by abating all the recommended rates by a fixed amount or percentage, because of the need to preserve reasonable differentials. She would therefore arrange for a detailed study of the possibilities to be made, and for options to be presented for the Cabinet's consideration. The Chancellor of the Duchy of Lancaster and the Chief Whip should continue the process of sounding opinion in the House and should keep in close touch with her on the point. Members of the Cabinet should take early opportunities to sound the opinion of their junior Ministers, and she would also take a hand in this process. The Paymaster General should give preliminary consideration to the presentational problems which the Government would face when its decisions were announced. The Cabinet would be invited to return to the subject and to take decisions when the Report of the TSRB on the pay of Ministers and Members of Parliament was available. In the meantime it was particularly important for Cabinet Ministers to say nothing in public or in private which would encourage speculation about the Government's attitude to these matters or the decisions they might take.

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The Cabinet -

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

Cabinet Office

20 June 1980

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