

SECRET

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

CC(81) 4th
Conclusions

COPY NO

78

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 29 JANUARY 1981
at 10.45 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 Francis Pym MP
Chancellor of the Duchy of Lancaster and
Paymaster General

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon John Nott MP
Secretary of State for Defence

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 John Biffen 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 Norman Fowler MP
Secretary of State for Transport

SECRET

SECRET

The Rt Hon Leon Brittan QC MP.
Chief Secretary, Treasury

ALSO PRESENT

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

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

CONTENTS

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	1
	Legislative Programme 1980-81	1
2.	FOREIGN AFFAIRS	
	United States	3
	Namibia	3
	Poland	3
	Afghanistan	4
	Soviet Union	4
	Israel	4
	Iran	5
3.	COMMUNITY AFFAIRS	5
4.	ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS	6

CONFIDENTIAL

PARLIAMENTARY
AFFAIRS

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

THE PRIME MINISTER, summing up a brief discussion, said that the debate on the economic situation for which the Government had given time on Thursday 5 February would take place on a Government motion. She would open the debate, and the Secretary of State for Trade would make the winding up speech for the Government.

The Cabinet -

1. Took note.

Legislative
programme
80-81
previous
reference:
(81) 3rd
conclusions,
minute 1

THE CHANCELLOR OF THE DUCHY OF LANCASTER AND PAYMASTER GENERAL said that the Companies Bill had come before Legislation Committee at their meeting the previous day, with a proposal by the Secretary of State for Trade that provisions on two further subjects should be added at Committee Stage in the House of Lords: provisions dealing with the disclosure of interest in shares and the purchase by companies of their own shares. These provisions had not yet been drafted, and could not now be ready until the end of February. The disclosure provisions, which had not yet received policy approval, would be highly controversial, while those on the purchase of own shares, though likely to be generally welcomed by small business interests, would nevertheless occupy a good deal of Parliamentary time, particularly in the House of Lords. The Secretary of State for Trade had pointed out that, if these proposed provisions were not included in the Bill by the Government, amendments on the same subjects would probably be moved by backbenchers, and that it was in the nature of a Companies Bill that there would be scope for discussion on a wide range of other issues. The Companies Bill in the form now proposed was likely to be more controversial and to occupy more Parliamentary time than originally expected. Bearing in mind the severe strains on the legislative programme, the need to avoid a lengthy spillover in the autumn and the increasing probability that time would have to be found for legislation on the Canadian constitution in the present Session, the business managers thought that the Cabinet should be given an opportunity to decide whether, despite the undoubted strength of the arguments for enacting the Bill this year, it would be better to postpone its introduction until the beginning of the 1981-82 Session.

THE SECRETARY OF STATE FOR TRADE said that the provisions on the abolition of the Register of Business Names were essential if the Department of Trade was to achieve its required manpower savings by April 1982. These provisions would certainly be controversial, but their passage through Parliament would be greatly eased if they were combined with the other measures, including the implementation of the

CONFIDENTIAL

European Community Fourth Directive on Company Accounts, now included in the draft Bill. If they were left until next Session, they would have to be considered at the same time as the proposed new measures on bankruptcy and insolvency, which held out the prospect of much larger staff savings. This would pose very severe problems of Parliamentary management, both for his own Department, and for the business managers. It had not been possible to include the two provisions mentioned by the Chancellor of the Duchy of Lancaster and Paymaster General in the draft Bill circulated to Legislation Committee because of the need to consider the response to consultative documents. The provisions on the purchase of own shares were highly attractive in political terms, and he considered that it would be a mistake not to proceed with them. The provisions on disclosure could if necessary be omitted, but it had to be recognised that the Opposition would certainly raise the subject during the debates on the present Bill, and new clauses might well be proposed in the Committee Stage. He accepted that the passage of the Bill through the House of Lords would occupy a good deal of time on the Floor of that House, but by far the greater part of the time required for discussion in the House of Commons would be in Standing Committee.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet agreed that the Companies Bill should be kept in the legislative programme for the current Session, although there would then be very little room for manoeuvre to meet unforeseen demands on Parliamentary time, especially in the House of Lords. They agreed on balance that the Bill as circulated to Legislation Committee should be introduced in the House of Lords as soon as possible. The proposed provisions on the purchase by a company of its own shares were an attractive part of the Government's programme of help for small businesses, and the Cabinet agreed that appropriate provisions should be added to the Bill at Committee Stage in the House of Lords. The enforcement of the disclosure proposals appeared, however, to raise difficult and controversial policy issues, and the Cabinet agreed that the Government should not seek to add them to the Bill during its passage through Parliament.

The Cabinet -

2. Agreed that the Companies Bill should be retained in the legislative programme for the 1980-81 Session on the basis indicated in the Prime Minister's summing up of their discussion.
3. Invited the Secretary of State for Trade, in consultation with the Chief Whip, House of Lords:

CONFIDENTIAL

- i. To arrange for the Bill as circulated to Legislation Committee, subject to any minor or drafting amendments, to be introduced in the House of Lords as soon as possible.
- ii. To arrange for provisions on the purchase by a company of its own shares to be moved as Government amendments at Committee Stage in the House of Lords.

FOREIGN
AFFAIRS
--
United States
previous
reference:
30) 39th
conclusions,
page 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that a number of satisfactory appointments to senior posts in the State Department were being made by the new United States Secretary of State, Mr Haig. His Deputy, Judge Clark from California, was (unlike Mr Haig himself) a close personal friend of President Reagan; and the new Under Secretaries were mostly experienced professionals. Her Majesty's Ambassador in Washington, who had recently spent two hours with Mr Haig, had been impressed by his attitude to the main problems of the day and by his favourable disposition towards Britain.

Namibia
previous
reference:
1) 2nd
conclusions,
page 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the new United States Administration were now working actively with the other Western countries involved, including Britain, to mitigate the current crisis over Namibia, which was causing serious concern. Western policy was under attack, most recently from the Liberation Committee of the Organisation of African Unity; and it would be important to do everything possible to avert a debate in the United Nations Security Council and a potentially damaging call for the extension of economic sanctions against South Africa. Black African leaders were often moderate as individuals, as the Foreign Minister of Mozambique, Mr Chissano, had proved during his recent visit to London; but collectively they remained extremist. The general election now called in South Africa might help to secure a breathing space but was not likely to produce changes in South African policy.

and
previous
reference:
1) 2nd
conclusions,
page 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the situation in Poland appeared increasingly serious. Confrontation continued over the five-day week issue, on which it would be very difficult for the Polish Government to give way. The workers' Solidarity movement was split between those who wished to press for further gains, those who advocated caution and an intermediate group under the movement's principal leader, Mr Walesa. The military

CONFIDENTIAL

situation had not changed and the Russians remained capable of intervening at any time. They might well conclude that the dangers of doing so would be less than the dangers of allowing the present situation to continue.

THE FOREIGN AND COMMONWEALTH SECRETARY said that President Giscard of France's public proposals for an international conference on Afghanistan had to be seen in the context of his campaign for re-election. Advance notice of several days had been given to the Soviet Union, and of a few hours to Britain and France's other principal partners. The proposal would not please the main Moslem powers, who had shown at their recent summit meeting in Saudi Arabia that they preferred the more robust line hitherto taken by the United Nations General Assembly. But the United States Secretary of State, Mr Haig, had felt able to welcome the French proposal; and it should be possible for Britain and others to accept it, with friendly dismissiveness, as a procedural device which might help carry forward the policies long advocated by all members of the European Community.

THE FOREIGN AND COMMONWEALTH SECRETARY said that Western economic measures remained in force against the Soviet Union because of the Afghanistan crisis. These included restrictions on sales of grain and of certain categories of high technology products. But British exports to the Soviet Union were still worth nearly £500 million a year and could not be neglected at a time when other Western countries were actively developing their economic opportunities there. It was against this background that British and Soviet officials had recently held talks in Moscow on the co-operation programmes conducted under the aegis of the Anglo-Soviet Joint Economic Commission.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the leader of the Israeli Labour Party, Mr Peres, had called on the Prime Minister and himself during a recent visit to Britain. He seemed likely to win the general election which had been called by the present Prime Minister of Israel, Mr Begin. Mr Peres was both more open-minded and more subtle than Mr Begin. He seemed aware of the need for Israel to make concessions in the search for a settlement with the Arabs and to have far-reaching ideas on how this might be done. But he perhaps exaggerated the chances of reaching an early understanding with King Hussein of Jordan.

THE FOREIGN AND COMMONWEALTH SECRETARY said that, despite difficulties caused by the chaotic internal situation in Iran, efforts to secure the release of the four British subjects detained there were continuing. For the time being it would be best not to make too much of a public issue of this, in order not to encourage the Iranians to think of the detainees as a potential lever on British policy. But if no progress were achieved within a month or so, the pressure of British public opinion might require stronger measures to be taken.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

3. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said there was now a distinct possibility that negotiations on the Common Fisheries Policy would break down, with serious consequences within the Community and for our fishing industry. At the recent meeting of the Council of Ministers (Fisheries), the Federal German Minister for Agriculture and Fisheries had adopted a threatening attitude over the continued restrictions on the right of the German fishing industry to fish off Canadian waters. The French Minister had expressed his political will to settle and had proposed a bilateral meeting, which would take place early next week, but he had told the Germans that there could be no compromise on access. The Irish Minister had given unexpected support to the Germans, explaining privately that this was the result of an understanding between them over agricultural prices. The Fisheries Council would resume on 9 February but, whereas the terms which had been proposed in December would have been acceptable to the British Government, it was not possible to settle on the basis of what the French were now proposing on access.

The Minister of Agriculture, Fisheries and Food further reported that the Commission might propose increases in agriculture prices ranging from 6-11 per cent, including large increases for cereals and greater co-responsibility levies of the kind which were objectionable to the United Kingdom. They might also propose the abolition of subsidies from which the United Kingdom benefited in order to have some leverage with which to secure British support for price increases. The Federal German Minister of Agriculture had also recently shifted his position and spoken of the need for substantial price increases.

In a brief discussion, it was noted that French Ministers had stressed to British Ministers and officials the necessity for agricultural price increases to be decided upon before the forthcoming French Presidential elections. It was likely that President Giscard could count on continuing support from Chancellor Schmidt; and, so far as

CONFIDENTIAL

agricultural prices were concerned, the Benelux countries would support the French position. The French Finance Minister had suggested recently to the Chancellor of the Exchequer that agricultural prices might be raised in two stages this year, the first before the French elections and the second after a review in the autumn. Even in the fisheries negotiations, where the French had put themselves in a minority position in December, the interests of Belgium and the Netherlands lay in supporting the French position on access. There was therefore the prospect of considerable difficulties during the coming weeks on both these fronts. On the other hand it was argued that the United Kingdom was not without negotiating cards, given the French need for higher agricultural prices. The aggressive position which they were taking up might prove to be a miscalculation on their part. It was important to continue to maintain the support of other member states and to keep the French in the minority.

The Cabinet -

Took note.

4. The Cabinet considered a memorandum by the Lord President of the Council (C(81) 5) on the 1980 Annual Scrutiny of Departmental Running Costs.

THE LORD PRESIDENT OF THE COUNCIL said that this was the first time that Departmental running costs had been identified and summarised in this way. This first exercise was a pilot run; the figures were raw, and he accepted that there were mistakes in them - as, for example, the Secretary of State for Northern Ireland had pointed out to him in his letter of 20 January. The fact that a Department ranked high in an analysis of particular costs did not necessarily call for criticism: the travel costs of some Departments were inevitably higher than those of others; and some Departments had a higher proportion of senior staff. The exercise was, nevertheless, useful in helping to alert Departmental Ministers to areas which they should probe. There was no doubt that such action was necessary. The total cost of Government Departments, excluding the Northern Ireland Civil Service, had risen from £6,680 million in 1979-80 to the provision in the 1980-81 Estimates of £8,340 million. The largest single element in Departmental costs was wages and salaries, where the increases had been influenced by staging over this period, but there had also been large increases in the non-pay areas of expenditure. He proposed that Departments should now investigate their figures critically, looking particularly at areas where they were high and, where appropriate, ensure that action was taken to bring costs under greater control. Departments should consult the Civil Service Department and the Treasury where necessary, and they

ANNUAL
SCRUTINY
OF
DEPARTMENTAL
RUNNING
COSTS

Previous
reference:
C(79) 16th
conclusions,
Minute 5

CONFIDENTIAL

should report to the Civil Service Department, using a standard questionnaire which he would now arrange to be circulated, by 13 March. He would then report on the outcome of this further work to the Cabinet after Easter. In the meantime he would arrange for a working group of officials to look into outstanding technical questions in consultation with Sir Derek Rayner and in time for the results to be taken into account in the next annual scrutiny. He recommended that a decision on whether the detailed figures in the 1980 review should be published should be deferred until Cabinet discussed his further report after Easter.

In discussion the following points were made -

- a. It was generally agreed that, while the details were open to question, the exercise was valuable in providing Ministers with a further basis for scrutinising their Department's running costs. It was essential that the substantial increases in these costs, which had partly offset other public expenditure savings, should be brought under control. Where the constraint of cash limits led to savings in one year, these savings should be carried through into later years and not, as often happened, offset by subsequent increases.
- b. While Ministers collectively were responsible for wages and salaries, Departmental Ministers had insufficient responsibility for the costs of their own Departments. Further consideration should be given to allowing each Minister more latitude to offset necessary increases under one sub-head of his votes - for example, travel expenses - by savings elsewhere. The present review of the arrangements for payments for services provided by the Property Services Agency would be completed shortly.
- c. The timetable of the 1981 annual scrutiny should be examined so as to ensure that returns were not required while the figures were still only provisional, and so as to fit in with the timetable for the public expenditure and other annual exercises. While the system should be improved, in the light of experience of the 1980 exercise, it should be kept as simple as possible so that it did not itself take up too much staff time and money.
- d. The increasing amount of correspondence with Members of Parliament (MPs) and the public, and the care which necessarily had to be taken in drafting these letters, was a major impediment to reducing Departmental costs. Last year Home Office Ministers had signed 22,000 letters and other Ministers had similar, or even greater, burdens of correspondence. Private sector firms were not faced with this "cost of democracy". Details of the numbers of letters to the public, and the cost of

CONFIDENTIAL

preparing them, should be assembled and made known to Parliament and the public as a basis for seeing whether there could be some acceptable reduction in this burden. Already some progress had been made in reducing the burden on Ministers though not officials, by encouraging MPs to write in the first instance to, for example, local tax and social security offices. Although a number of MPs had complained of this, it had generally worked well and some Members had warmly welcomed the closer relationship which they had formed as a result with local offices.

THE PRIME MINISTER, summing up the discussion, said that, while the Cabinet recognised that there were flaws in the 1980 pilot exercise, they generally welcomed the introduction of annual scrutinies as a basis for the crucial task of bringing Departmental running costs under control. Each Minister should now arrange for his Department to examine the 1980 returns and to reply by 13 March to the questionnaire which the Lord President of the Council would now circulate. The Lord President of the Council should report on the outcome of this further work to the Cabinet after Easter. The Cabinet were concerned that the mounting burden of correspondence, both with MPs and with the general public, was adding to Departmental costs. These costs were insufficiently recognised by Parliament and, as a basis for discussion of whether they could be reduced, they should be made known to Parliament and the public. To this end, each Minister should now send to the Chancellor of the Duchy of Lancaster and Paymaster General an estimate of the numbers of letters in 1980 sent by Ministers to MPs and by Departments to the public, together with a broad estimate of the costs of this correspondence.

The Cabinet -

1. Agreed that each Minister should:
 - i. Arrange for his Department to send to the Civil Service Department by 13 March answers to the questionnaire, which the Lord President of the Council would now circulate, on the 1980 annual scrutiny of Departmental running costs.
 - ii. Send the Chancellor of the Duchy of Lancaster and Paymaster General an estimate of the numbers of letters sent in 1980 a. by Departmental Ministers to Members of Parliament and b. by Departments to members of the public, with an estimate of the approximate cost of preparing those letters.

CONFIDENTIAL

2. Invited the Lord President of the Council:
 - i. To report to them, after Easter, in the light of the further analysis of the 1980 annual scrutiny.
 - ii. To arrange for a working group of officials to examine outstanding technical questions in consultation with Sir Derek Rayner, and in particular to consider, in the light of the Cabinet's discussion, the timing of the 1981 annual scrutiny.
3. Invited the Chancellor of the Duchy of Lancaster and Paymaster General to circulate a report to them on the analysis of Departmental correspondence in 1980.

Cabinet Office

29 January 1981