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Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 12 FEBRUARY 1981
at 11.00 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 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
Chancellor of the Duchy of Lancaster
and Paymaster General

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

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

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

SECRET

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 R L Wade-Gery (Items 2 and 3)
Mr W N Hyde (Item 1)
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.

Pay and Pensions
of Members of
Parliament

Previous
Reference:
HC(80) 44th
Conclusions,
Minute 1

THE CHANCELLOR OF THE DUCHY OF LANCASTER AND PAYMASTER GENERAL said that the Government were committed to putting down further motions on the pay and pensions of Members of Parliament in the light of the reaction to the factual memorandum circulated to all Members by his predecessor. He had completed consultations, and now intended, in preparation for the debate arranged for the following week, to table motions on the rate of pay for pension purposes, linkages between the pay of Members of Parliament and other groups, and the accrual rate for pensions. He had originally intended to table a single unamendable effective motion setting pensionable pay at the actual level of £13,150 rather than at the notional level of £13,750 recommended by the Top Salaries Review Body and embodied in one of the motions passed by the House of Commons on 21 July. His consultations had shown that this could lead to unnecessary difficulties in the course of the debate, and he therefore intended to put down a further amendable motion which would give the House an opportunity of expressing its collective view on the level of pensionable pay without binding the Government. He would make clear the importance the Government attached to basing pensionable pay on the lower figure, and the consequences of a decision to base it on the higher figure. On linkage, he intended to move a resolution referring the matter to a Select Committee for further consideration of the desirability and possible method of conducting reviews of Members' salaries by an independent body during the first Session of each Parliament, and of adjusting salaries between reviews by reference to a so called basket of outside comparators. The motion on accrual rates would retain the existing Government proposal of a one-sixtieth rate instead of the one-fortieth rate recommended in earlier motions passed by the House of Commons, but would alter the arrangements for the purchase of additional years. The Chief Whip was making arrangements for all Ministers and their Parliamentary Private Secretaries to vote in support of the Government motion and he thought that there was a reasonable chance of being able to carry this package.

The Cabinet -

1. Took note.

Social Security
Bill

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that he had chaired a meeting of the Home and Social Affairs Committee the previous day which had re-examined the Government's proposals for

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an employers' statutory sick pay (ESSP) scheme in the light of the strong opposition to them which continued to be expressed by the employers' organisations and by many of the Government's own supporters in the House of Commons. The Committee had agreed that there was a high risk that the proposals in the form in which they appeared in the draft Social Security Bill circulated to Legislation Committee would be defeated in one or both Houses. The Committee had concluded that the Bill would either have to be amended to take account of the latest compromise proposals put forward by the Confederation of British Industry (CBI), or postponed to the next Session of Parliament. The latter course might give the impression that the Government were no longer committed to the principles of the scheme, but might also give further time for developing more fully worked out proposals which were likely to command wider Parliamentary support. He had subsequently reported the outcome of the Committee's discussion to the Prime Minister, who had decided that the Government should not proceed with legislation on ESSP until they were sure that it embodied a fully worked out and defensible scheme, and that the relevant legislation could be carried in both Houses. Because there had not been sufficient time to examine the implications of the latest CBI scheme and other alternatives in detail, she had decided that the ESSP provisions should be deleted from the Social Security Bill. Arrangements were in hand to introduce a shorter Bill, dealing mainly with the November 1981 social security benefit uprating, by the end of that week.

In discussion it was pointed out that the Government's original scheme, as amended in the light of reactions to the Green Paper published in April of 1980, would have brought manpower savings of 5,000 staff in 1982-83 and public expenditure savings of £400 million in the same period. The latest CBI scheme would permit a staff saving of only 2,500, while leaving the public expenditure benefits almost intact. Equivalent staff savings would now have to be found elsewhere. The introduction of an ESSP scheme was a central part of the Government's overall strategy, and it should be made clear that there could be no question of its being abandoned in principle. It seemed essential that the legislation eventually introduced should provide for special treatment for small businesses; this had been incorporated in the Government's revised scheme, but did not form a part of the CBI's proposals.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet remained firmly committed to the introduction of an ESSP scheme in principle. It would, however, have been damaging politically to have proceeded on the basis of proposals which had not been properly thought out, and which could well have run into serious practical difficulties at a later stage. The Secretary of

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State for Social Services should now proceed as a matter of urgency with the preparation of detailed proposals which would command wider Parliamentary support while retaining the public expenditure and manpower advantages of the scheme. The Cabinet noted that the Chancellor of the Duchy of Lancaster had agreed to the employment of Parliamentary Counsel on any legislative drafting which might be necessary for this purpose. Draft legislation on a revised ESSP scheme could not now be ready for passage this Session, but should be available for introduction at the beginning of the 1981-82 Session. The additional legislative time which would thus become available in the present Session might be used to make progress with other Bills which had been introduced but held back because of pressures on the Parliamentary timetable. In the meantime, the Cabinet noted that the shorter Social Security Bill dealing with the November 1981 uprating and miscellaneous provisions would be introduced by the end of that week. The Lord President of the Council and the Chief Secretary, Treasury, would wish to consult colleagues on other ways of achieving the expected manpower and public expenditure savings in 1982-83. She would be ready to announce the decisions on the content of the Social Security Bill in the House of Commons that afternoon.

The Cabinet -

2. Took note that the Social Security Bill to be introduced that week would not now contain provisions on the introduction of an employers' statutory sick pay scheme.
3. Invited the Secretary of State for Social Services, in consultation with other Ministers concerned, to prepare further proposals on an employers' statutory sick pay scheme in time for legislation to be introduced at the beginning of the 1981-82 Session of Parliament, as indicated in the Prime Minister's summing up of their discussion.
4. Invited the Lord President of the Council and the Chief Secretary, Treasury, to consider further the public expenditure and manpower implications of the decision to postpone the introduction of an employers' statutory sick pay scheme.

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2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Canadian Government's problems over their proposals for the patriation of the Canadian Constitution had been complicated by the unauthorised disclosure of some of their High Commissioner's confidential reports to Ottawa. It was in the British Government's interest to play the matter down as far as possible. Meanwhile, briefings on the subject given by the British High Commissioner, Sir John Ford (who was due to retire later in the year and whose successor had now been publicly designated) had led to accusations that he was over-involving himself in Canada's internal affairs. He would shortly be visiting London for consultations and there was some danger that he would be thought to be being reprimanded.

In the course of a brief discussion it was noted that the Government would wish to do all they could to defend Sir John Ford against unjustified criticism. The wider problems connected with the patriation proposals would require early discussion in the Defence and Oversea Policy Committee. For that purpose it would be helpful to have an assessment of the legal position from the Attorney General; but it was clear that the issues involved were without exact precedent, and in any case more political and constitutional than legal in character.

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THE FOREIGN AND COMMONWEALTH SECRETARY said that confidence in Zimbabwe was liable to be damaged by the factional fighting which had broken out inside three of the twelve integrated battalions of the new National Army. This was a more disturbing development than earlier outbreaks between elements of the two former guerrilla armies which had not yet been integrated. There appeared to have been no trouble at officer level, or within the Joint High Command.

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THE FOREIGN AND COMMONWEALTH SECRETARY said that the situation in Poland continued to deteriorate. The outcome was unpredictable.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the four British detainees in Iran seemed likely to be released in the near future, but the confused situation there made it impossible to be certain. He was in close contact with the Archbishop of Canterbury, whose special emissary had been playing a helpful role in Tehran. Meanwhile the war between Iran and Iraq continued at a low level of intensity, in conditions dominated by rain and mud. Between them the two countries were now exporting about one million barrels of oil a day.

The Cabinet -

Took note.

3. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that the Council of Ministers (Fisheries) had ended after three days of discussion without agreement on major outstanding issues on the Common Fisheries Policy. Progress had been impeded by the inexperience of the new Commissioner responsible for fisheries, Mr Kontogeorgis, who was unfortunately supported by officials from countries not likely to be well disposed to the United Kingdom's point of view. The French Minister responsible for fisheries had assured his industry that the French Government would not agree to any restrictions on French vessels outside the 12-mile limit, and the weekly meeting of the French Council of Ministers had reaffirmed the French insistence on maintaining historic rights within 12 miles. In the absence of agreement on access, he had not been able to agree to German demands for the conclusion of a fisheries agreement with Canada which would give the Canadians tariff concessions on 20,000 tons of cod which would be sold on the British market. Given the difficulties the British fishing industry were currently facing from low-priced imports, United Kingdom acquiescence in such an agreement with Canada could not be justified except in the context of a satisfactory overall settlement. This was privately recognised by the Germans, who had been annoyed with the impression given by President Giscard at the Press conference following the recent Franco-German Summit, in which he had implied that the Federal Republic had agreed to join France in putting pressure on the United Kingdom. Although a further meeting of the Fisheries Council had been fixed for 9-10 March, he did not see any prospect of a settlement before the French Presidential elections. The French were being asked to accept restrictions in areas where they had traditionally fished for many years. Unless they could be offered something else in return - and no doubt the price would be a high one - there appeared to be no advantage to them in an early settlement. They well understood that further delay brought us closer to 1 January 1983, when the present derogation from the principle of equality of access came to an end.

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THE SECRETARY OF STATE FOR SCOTLAND said the leaders of the fishing industry fully supported the line which the Minister of Agriculture, Fisheries and Food had taken during the negotiations and were hopeful that fishing activity would now be resumed.

THE FOREIGN AND COMMONWEALTH SECRETARY, with the endorsement of the Cabinet, congratulated the Minister of Agriculture, Fisheries and Food on the successful way in which he had handled both the domestic presentation and the fisheries negotiations themselves. On the previous day, the Ambassador of the Federal Republic of Germany had delivered a demarche urging the need for an early settlement of the Common Fisheries Policy. A similar approach was being made in Paris, and the Ambassador had let it be understood that the demarche was principally directed at the French.

THE PRIME MINISTER reported that, during her visit to the Dutch Prime Minister, Monsieur van Agt, on 6 February, she had urged the Dutch Presidency to use its influence to bring about a speedy conclusion of the negotiations for a Common Fisheries Policy. She had also sought to stiffen the position of the Dutch Government over the stationing of United States nuclear weapons on Dutch soil. All the religious parties in the Netherlands were now campaigning for nuclear disarmament. If the Dutch Government were unable to play their part in the North Atlantic Treaty Organisation's programme for the modernisation of long-range theatre nuclear forces, the resolution of other countries which had agreed to do so, such as Italy and Germany, might be adversely affected.

The Cabinet -

Took note.

Cabinet Office

12 February 1981