

CABINET

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

THURSDAY 9 APRIL 1981

at 10.00 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

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Michael Havers QC MP
Attorney General (Item 4)

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 (Items 4 and 5)
Mr R L Wade-Gery (Items 2 and 3)
Mr W N Hyde (Items 1 and 5)
Mr D J L Moore (Item 4)
Mr L J Harris (Item 1)

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

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the result of the Fermanagh and South Tyrone by-election would probably be declared the following afternoon, and the writ would be returned at Westminster on Monday 13 April. One of the two candidates was Mr Robert Sands who had served 4 years of a 14 year sentence for terrorism. The Forfeiture Act 1870 had imposed a statutory disqualification on any person convicted of felony and sentenced to any term of imprisonment exceeding 12 months. These provisions had, however, been repealed by the Criminal Law Act 1967, which had abolished the distinction between felonies and misdemeanours. Convicted prisoners, though disqualified from voting in Parliamentary elections, were now free to stand as candidates and to be elected. If Mr Sands were elected, and did not (as he had suggested he might) immediately seek to resign the seat, there would be strong pressure for him to be allowed to attend the House, to see constituents, and to write and receive letters on constituency matters. Refusal of such facilities would provide the occasion for demonstrations and further civil unrest in the Province. His own view was that the best response to the election of Mr Sands would be for an immediate resolution to be moved in the House of Commons expelling him as an unfit person, though this would not prevent Mr Sands from standing again at the ensuing by-election in the same constituency.

THE CHANCELLOR OF THE DUCHY OF LANCASTER AND PAYMASTER GENERAL agreed that the right course would be for Mr Sands if elected to be expelled as an unfit person. The present indications were, however, that an immediate Government Motion to this effect might be highly controversial. It might be preferable to inspire a backbench Member to table an early day motion, and for the Government not to declare their hand until strong and if possible all Party support for Mr Sands's expulsion had become clear.

In discussion, it was agreed that there would be considerable dangers if Mr Sands's expulsion from the House of Commons became a matter of great controversy. On the other hand, if the Government took no action, the Ulster Unionists were very likely to move an expulsion motion, and to seek to make political capital out of the Government's alleged dilatoriness. There were precedents for expelling Members elected after they had been convicted of serious offences, though these all predated the Criminal Law Amendment Act 1967. It might be undesirable to change the law in such a way as to give a returning officer the

power to preclude a convicted offender from standing as a candidate but there was a strong case for passing a short Bill disqualifying any person who had been convicted of specified offences, or sentenced to more than a specified minimum term of imprisonment, from becoming a Member of Parliament. Any such legislation should not be retrospective.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the Government should be seen to take immediate and effective action in the event of Mr Sands being elected as Member for Fermanagh and South Tyrone. Subject to further study of the legal position, the best course appeared to be for the Government to move a Motion expelling Mr Sands from the House as soon as the writ had been returned, and then to introduce a short Bill restoring the position on statutory disqualification substantially to what it had been before 1967. The matter should be urgently considered by a group of Ministers comprising the Home Secretary, the Lord Chancellor, the Chancellor of the Duchy of Lancaster and Paymaster General, the Secretary of State for Northern Ireland, the Chief Secretary, Treasury and the Attorney General, which should agree the text of a statement which the Secretary of State for Northern Ireland might if necessary make the following afternoon.

The Cabinet -

1. Took note.

Select Committees

Previous

Reference:

HC(81) 3rd

Conclusions,

Minute 1

THE CHANCELLOR OF THE EXCHEQUER said that a report published the previous day by the Select Committee on the Treasury and Civil Service had criticised the Government's budget strategy. Although this was formally an agreed report, the accompanying Press conference had revealed deep divisions of opinion within the Committee. Because of absences by Conservative Members, the Opposition had been in the majority at some important sittings of the Committee. The way in which the report had been drafted and presented did not reflect to the credit of the Committee, and the report was unlikely to do serious damage to the Government. The incident was, however, illustrative of the difficulties which had arisen, largely because of the attitude or absence of the Government's own supporters, in several of the Departmental Select Committees.

In discussion, it was noted that the Committee of Selection had decided as a matter of policy not to select officers of backbench Parliamentary groups as members of Select Committees. This had been a bad decision, since such officers were among the Members best qualified to deal with the subjects for which the

Committees were responsible. It was, however, possible for a member of a Select Committee subsequently to accept office in a Parliamentary group. Some Conservative Members of Select Committees appeared to place their loyalty to the Committees higher than their loyalty to the Government, and to attach too much importance to facilitating the preparation of unanimously agreed reports.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet had previously had occasion to express their dissatisfaction with the attitudes and attendance records of some Conservative Members of Departmental Select Committees. They noted that the Chief Whip had already raised this issue strongly with the Conservative Chairmen or majority leaders of the Select Committees, and that he and the Chancellor of the Duchy of Lancaster would continue to take every opportunity over the coming months to reiterate the Government's concern that its own supporters on Select Committees should attend all meetings and ensure that the Government's views were adequately represented both in discussions and in any published reports. Other Ministers should also maintain informal contact with Conservative Members of their Departmental Select Committees.

The Cabinet -

2. Took note, with approval, of the Prime Minister's summing up of their discussion, and invited the Chancellor of the Duchy of Lancaster and Paymaster General, the Chief Whip and other Ministers concerned to be guided accordingly.

Defence Matters

THE SECRETARY OF STATE FOR DEFENCE said that it might prove necessary for him to make a Parliamentary statement, before the House rose for the Easter Recess, on certain defence matters. If he judged that such a statement was necessary, he would circulate a text in advance to the Ministers directly concerned.

The Cabinet -

3. Took note, and invited the Secretary of State for Defence to consult the Chancellor of the Duchy of Lancaster and Paymaster General about the timing of his statement, if it proved necessary to make one.

CONFIDENTIAL

FOREIGN
AFFAIRS

Poland
Previous
Reference:
CC(81) 14th
Conclusions,
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that for the moment some of the tension had gone out of the internal situation in Poland, but the crisis had not been resolved. At the recent Czech Party Congress, which had been attended by President Brezhnev on behalf of the Soviet Union, Poland had been represented by a hard-liner, Mr Olszowsky; and the atmosphere on that occasion had not augered well for the Poles. Meanwhile, Western contingency plans in the case of Soviet action against Poland were as well prepared as was possible in the circumstances. Western agreement was also in process of being reached on how to handle the problem of Poland's debts; but this was of course subject to any overriding political or military developments.

Belize
Previous
Reference:
CC(81) 14th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the situation in Belize was confused. The Constitutional Conference in London was proceeding satisfactorily, but the Premier, Mr Price, and the Leader of the Opposition, Dr Aranda, were not themselves participating in it. The Conference was expected to end the following week, and the implications for British policy ought then to be clearer. He would be consulting the Prime Minister on the next steps.

China/Hong Kong

THE FOREIGN AND COMMONWEALTH SECRETARY said that on his recent visit to Hong Kong he had found the business community apprehensive, not so much about what might happen when the New Territories lease expired in 1997, but rather about the implications for investors' confidence of the fact that normal 15-year mortgages would soon be running into the post-1997 period. The danger of a general collapse of business confidence in Hong Kong could not be ignored. During his subsequent visit to Peking, he had raised the matter with the Vice-Chairman of the Chinese Communist Party, Mr Deng Xiaoping, who had replied with a strong reaffirmation of his earlier assurances that investors had nothing to fear. This statement had for the time being had a beneficial effect on Hong Kong opinion, but investors were not likely to be wholly reassured by general assurances of this kind, particularly from someone of Mr Deng's advanced age. It had not, however, been practicable to press the matter further on this occasion. Although the Chinese leaders valued Hong Kong's existence, they clearly regarded it as a minor matter, dwarfed by the magnitude of their domestic affairs and internationally of much less immediate concern to them than the problem of Taiwan. Among the leadership, Mr Deng, despite his age, appeared to be the only outstanding personality. The Prime Minister, Mr Zhao Ziyang, was not impressive. Mr Hua Guofeng's likely successor as Chairman of the Party, Mr Hu Yaobang, was spoken of as a potential leader of quality; but he had not met him and had not therefore been able to judge.

CONFIDENTIAL

THE FOREIGN AND COMMONWEALTH SECRETARY said that on his visit to Tokyo he had been primarily concerned to underline the unacceptability of the large imbalance of trade between the United Kingdom and Japan. The Japanese Government had not been unresponsive on the subject, although the arguments available to him were not easy to sustain. In their international outlook the Japanese clearly attached far more importance to the United States than to Europe; and he had had to emphasise strongly the need for Japan's policies to take account of European interests.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Government in Pakistan, which he had also visited, seemed in more robust mood than earlier, particularly in relation to Afghanistan. Following the resolution of the crisis over the Pakistani airliner hi-jacked to Kabul and Damascus, the internal position of President Zia's government had strengthened; and early Pakistani recognition of the present Afghan regime was now unlikely. But Pakistan's relations with the United States were not close, and the Pakistanis attached special importance to their relations with Britain. It could be useful, and would be much appreciated, if the Prime Minister were able to visit the country eg on her way home from the Commonwealth Heads of Government Meeting in Melbourne.

In the course of a brief discussion it was pointed out that the new United States Administration tended to ignore the interaction of one major international issue on another, and to see the problems of eg Africa or Arab-Israel relations too much in terms of East-West confrontation. It would be important to try to guide them towards more sensitive attitudes and a less simplistic view of the world.

The Cabinet -

Took note.

COMMUNITY
FAIRS

udget
structuring

previous
ference:
(81) 13th
conclusions,
minute 3

3. THE CHANCELLOR OF THE EXCHEQUER said that, in a discussion on restructuring of the Community Budget at an informal meeting of Finance Ministers over the previous weekend, the German representative, Dr Schulmann, had reiterated his Government's dissatisfaction with the present budgetary arrangements and their wish to see the German net contribution subject to a ceiling in the same way as the United Kingdom's net contribution, and had also emphasised the need to maintain the existing 1 per cent VAT limit on own resources, and to reduce the proportion of the budget allocated to agriculture. The Chancellor said that he had supported the German statement, as had the Greek representative. The Irish Finance Minister had expressed some anxiety; the French had remained silent. The latest estimates suggested that France had still been a net beneficiary from the Community budget in 1980, and that she would only be a small net contributor in 1981 after contributing towards our budget refunds. He would inform colleagues as soon as these estimates were officially published by the Commission.

proposed
ouncil on
employment

previous
ference:
(81) 13th
conclusions,
minute 3

THE SECRETARY OF STATE FOR EMPLOYMENT said that the main discussion at an informal meeting of Employment Ministers had been the arrangements for a joint Council of Finance, Economic and Employment Ministers, as already agreed in principle by the European Council. We did not wish to organise such a meeting during our Presidency, and if an early meeting could not be arranged under the Dutch Presidency we would hope to ensure that the necessary preparatory work would carry the date of such a meeting into 1982.

In a brief discussion it was suggested that the Dutch Government, which faced an election, was not anxious to hold such a "jumbo" Council which would not be able to produce any instant solutions to the problem of unemployment within the Community. On the other hand, it was argued that, since no positive outcome from such a meeting could be expected, there was much to be said for holding it as soon as possible. It might be difficult to postpone a meeting which had already been agreed to in principle for a further nine months.

statements by
resident
iscard
EStaing

THE FOREIGN AND COMMONWEALTH SECRETARY said that the recent statements by the President of the French Republic during an election interview casting doubts on the United Kingdom's fitness for membership of the European Community were unacceptable. He welcomed the replies which had been given by the Prime Minister in her speech to the Diplomatic and Commonwealth Writers Association and by the Lord Privy Seal in the Commons debate the previous day. These statements could not have been allowed to go unanswered.

CONFIDENTIAL

Anglo-German
relations

THE SECRETARY OF STATE FOR DEFENCE reported that the Federal German Chancellor had said to him yesterday that Anglo-German bilateral relations were excellent but their relations within the Community and the alliance were appalling. The Chancellor had made it clear both to him and to the United States Defence Secretary that, in spite of the current domestic German difficulties, he intended to serve his full term as Chancellor. The forthcoming Anglo-German summit meeting at Chequers would be an opportunity to improve relations

The Cabinet -

Took note.

CIVIL SERVICE
PAY

4. The Cabinet considered a memorandum by the Lord President of the Council (C(81) 14) on Civil Service Pay. The Cabinet's discussion and conclusions are recorded separately.

Previous
reference:
CC(81) 13th
Conclusions,
Minute 4

The Cabinet -

Agreed to resume their discussion at a meeting to be arranged on Tuesday 14 April 1981.

PAY OF MPs,
MINISTERS AND
JUNIOR MINISTERS
IN THE HOUSE
OF LORDS

5. The Cabinet considered a memorandum by the Lord President of the Council and the Chancellor of the Duchy of Lancaster and Paymaster General (C(81) 13) on the salaries of Members of Parliament (MPs) and Ministers, including Junior Ministers in the House of Lords.

Previous
References:
CC(81) 2nd
Conclusions,
minute 7 and
CC(81) 6th
Conclusions,
Minute 1

The Cabinet -

1. Took note that the Prime Minister would arrange for the Chairman of the Top Salaries Review Body to be informed that the Government would be content for the Review Body to report on the pay of MP's and Ministers in 1981 without recommending new salary rates, but to urge instead full implementation of their earlier recommendations as soon as possible. The Review Body would however be asked to advise on the up-dating of Parliamentary allowances in the usual way.

2. Agreed to resume their discussion of the pay of MPs and Ministers at a future meeting.

3. Approved the proposals in paragraph 13 of C(81) 13 on the methods for giving effect to their earlier decisions in principle to increase the remuneration of Ministers of State and Parliamentary Secretaries in the House of Lords, as a basis for proceeding when next there was a general increase in Ministerial salaries.

Cabinet Office

9 April 1981

CABINET

LIMITED CIRCULATION ANNEX

CC(81) 15th Conclusions, Minute 4

Thursday 9 April 1981 at 10.00 am

CIVIL SERVICE
PAY

The Cabinet considered a memorandum by the Lord President of the Council (C(81) 14), to which was attached a note by officials, on Civil Service pay.

Previous
reference:
C(81) 13th
conclusions,
Minute 4

THE LORD PRESIDENT OF THE COUNCIL said that there was no sign that the current industrial action in the Civil Service was weakening. 3,500 staff were on strike and the unions were having no difficulty in pulling out key staff in the areas they had chosen. Many of those not on strike were sympathetic to the unions' objectives of securing the reintroduction of satisfactory pay research and arbitration arrangements. In his judgment, the strikes would not peter out, and the longer they went on the more difficult it would be to reach an agreement. He recommended that the Government should stand fast on the offer of a 7 per cent increase in pay from April 1981. If this were accepted, it would be necessary to negotiate the ending of the present industrial action on the basis of proposals for longer term arrangements and for arrangements for the 1982 settlement. The unions had already been told that the Government wished to find a new, ordered and agreed system of determining Civil Service pay for the longer term. A group of officials (MISC 54) would be making proposals in a report immediately after Easter, but any proposals which the Government put forward were likely to be unwelcome to the unions, by comparison with the old arrangements, and his provisional judgment was that in order to find a sufficiently authoritative basis for a new system it would be necessary to set up a high-powered independent inquiry. In the meantime it would be necessary to reach agreement on the arrangements for the 1982 settlement: he believed that the Government would need to agree to negotiate with the unions and, should the need arise, to go to arbitration. He could not be certain that a package of this type would bring the industrial action to an end; but, if the unions were not to accept it, it would give the Government a good basis on which to appeal to moderate opinion in the Civil Service.

SECRET

In discussion it was noted that industrial action was spreading and in some areas the more militant strikers were becoming openly and even violently aggressive. Those continuing to work in the offices affected by strikes were coming under increasing pressure from their colleagues, and their morale was suffering from uncertainty over the Government's objectives for dealing with the situation. Morale among non-striking staff was also low, and some senior staff had felt moved to endorse the action of their junior staff in pressing for satisfactory arrangements for the longer term. So far the general public were unsympathetic to the strike but there were dangers in letting the action drift on. Although the Government could probably win if they were to hold out for a few months, this would be at the expense of serious long term damage to Civil Service morale and probably of increasing inconvenience to the general public.

In further discussion the following points arose:-

- a. It was generally agreed that the Government should stand fast on the pay offer of 7 per cent from April 1981.
- b. There was no guarantee that the package proposed by the Lord President of the Council for the 1982 settlement would bring the dispute to an end. The unions would be looking for firm assurances that negotiations in 1982 could not in the last resort be overridden by the cash limit imposed by the Government, and would therefore want the decision of any arbitral body to be binding on both sides.
- c. The Government could not give up its responsibility to determine in the last resort the cash available for pay. To do so would be to risk pre-empting decisions on the balance of the public expenditure programme and an outcome in which public sector pay again increased at the expense of public sector investment. The Government could not therefore agree to be committed without qualification to accepting the results of arbitration.
- d. It was necessary to establish that at the end of the day the Government must have the final say on the amount of cash available for Civil Service pay; but having said that, the Government should bend all their energies to ensure that the arrangements for determining pay were such that it seldom or never came to that. The objective should therefore be to find a way of reconciling the introduction of genuine negotiations on pay with the Government's right in the last resort to determine the amount of money available. To this end it might be necessary to consider changes in the timing of negotiations and in the timing and arrangements

for settling and for announcing cash limits such that unbridgeable gaps between sensibly negotiated pay settlements and cash limits would only very rarely occur. It would be important to take account of the timing of the settling of the Rate Support Grant cash limit, and of the implications of local authority pay settlements for Civil Service settlements. The proposal in the report by officials attached to C(81) 14, for fixing Civil Service pay next year by linkage with a general indication of pay movements, or with those of a related group, would pose very difficult presentational problems and could set an unwelcome precedent.

e. Consideration should be given to the other factors which might be taken into account in opening a dialogue with the unions and in building on the undertaking already given to them that the Government intended to review the arrangements for determining pay with the object of establishing as soon as practicable an ordered and agreed system which took account of all relevant factors and which would command the widest possible acceptance.

f. The case for setting up an independent inquiry into the longer term arrangements could be considered further in the light of the report which officials were preparing. There was a danger that such an inquiry could lead to unnecessary delay, followed by recommendations which were unacceptable to the Government. It might, therefore, be better to agree on proposals which could form a basis for direct discussion with the unions.

g. In the meantime, the Government should take steps to win greater support for its stance, both from the general public and from moderate opinion within the Civil Service, by making more widely known some of the facts on Civil Service pay and employment. For example, in the last decade the pay of both manual and non-manual civil servants had improved relative to the pay of those doing similar work in the private sector; over the same period redundancies in the Civil Service had been very markedly lower.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that there should be no increase in the offer to the Civil Service of a 7 per cent pay increase from April 1981. They further agreed that the present dispute should not be allowed to drift on. They would discuss as soon as possible after Easter the report which a group of officials (MISC 54) was preparing on the possible basis of an ordered and agreed system for the longer term; they would decide then whether that report might form the basis

for direct negotiations with the unions or whether the Government should set up an independent inquiry into the longer-term arrangements. In the meantime, the Chancellor of the Exchequer and the Lord President of the Council should circulate, in time for discussion by Cabinet on Tuesday 14 April, proposals for the basis on which a dialogue might be opened with the unions on the arrangements for 1982. The aim would be to reach agreement on a basis for negotiating the 1982 pay settlement which would also pave the way for an ordered and agreed system for the longer term such as would offer the prospect of fair terms and conditions of service for the Civil Service while recognising that in the last resort it was for the Government to determine the amount of money available for Civil Service pay. To this end, the Chancellor of the Exchequer and the Lord President of the Council should make proposals for the factors to be taken into account - such as job security and the value of index-linked pensions - in the 1982 negotiations, and also on any changes which might be made in the timing of negotiations and the arrangements for settling and announcing cash limits which would provide the necessary element of flexibility to accommodate genuine negotiations. It was essential that the revised arrangements for the Civil Service should take account of the implications for the setting of the Rate Support Grant cash limit. Any proposals which included arbitration would have to recognise that the recommendations of the arbitral body could not be binding on Government. In the light of these proposals, the Cabinet would decide on 14 April whether the Lord President of the Council should be authorised to open discussions with the unions on the 1982 arrangements in advance of the decisions which Cabinet would be taking after Easter on how the longer term arrangements might be handled. In the meantime, Ministers were free to listen to the views of their Departmental staff sides but they should avoid any impression that they might be entering into negotiations with them. They should take the opportunity to make clear to their staff that the Government was fully appreciative of the work of the Civil Service and of the need to agree on the terms and conditions of service necessary to recruit and to retain an efficient Civil Service. The Chancellor of the Exchequer and the Lord President of the Council should circulate to Members of Cabinet as soon as possible a note of some of the facts on Civil Service pay and conditions of service, and on recent pay movements, on which Ministers could draw in such discussions.

The Cabinet -

1. Agreed that there should be no increase in the 7 per cent increase in pay already offered to the non-industrial Civil Service from April 1981.

2. Invited the Chancellor of the Exchequer and the Lord President of the Council -

i. To circulate, in time for discussion by Cabinet on Tuesday 14 April, proposals for a basis for opening negotiations with the Civil Service unions on the arrangements for 1982, taking account of the points made in discussion.

ii. To circulate as soon as possible a list of facts and points on which Ministers could draw in discussion of the current pay dispute in the Civil Service.

Cabinet Office

10 April 1981