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CC(81) 22nd
Conclusions

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CABINET

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

THURSDAY 11 JUNE 1981

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 Hailsham
Lord Chancellor

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 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 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 1)

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 5)
Mr R M Hastie-Smith (Items 2 and 3)
Mr W N Hyde (Items 1 and 4)
Mr L J Harris (Items 1 and 4)
Mr D J Bostock (Item 5)

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PARLIAMENTARY
AFFAIRS

Parliamentary
Business

1. THE CHANCELLOR OF THE DUCHY OF LANCASTER AND PAYMASTER GENERAL informed the Cabinet of the business to be taken in the House of Commons during the following week. He had been coming under increasing pressure from the Leader of the Opposition to provide Government time for a debate on unemployment. This matter was almost certain to be raised again that afternoon following his business statement, and if so he intended to announce that the Government hoped to be able to provide time for a debate in the fairly near future.

The Cabinet -

1. Took note.

Disqualification
of Prisoners
from Election
to Parliament

Previous
Reference:
DC(81) 21st
Conclusions,
Minute 4

THE HOME SECRETARY said that the Cabinet had agreed at their meeting on 4 June to the preparation of a Representation of the People Bill limited to disqualifying from election to Parliament convicted persons detained in prison in the United Kingdom pursuant to a sentence of more than 12 months, with a power to invalidate the nomination of persons disqualified under the Bill. The Cabinet had recognised that the proposal on the invalidation of nominations might cause difficulties with the Opposition, and had invited him, in consultation with the Chancellor of the Duchy of Lancaster, to consult other parties in the House of Commons and report back to the Cabinet if necessary. The Shadow Cabinet had decided at their meeting the previous day to oppose the introduction of any Bill dealing with disqualification of prisoners. Their objection to the proposed Bill was one of principle, and their attitude was unlikely to be significantly affected by whether or not the invalidation provisions were included.

In discussion it was agreed that the situation in Northern Ireland made it essential to pass legislation on the disqualification of prisoners before the Summer Recess, in spite of the Labour Party's opposition, and the resultant strains on the Parliamentary timetable. There was bound to be a new by-election in Fermanagh and South Tyrone in a matter of weeks. As matters stood at present, this seemed likely to be a repetition of the last by-election in that constituency, with a straight fight between an Official Unionist candidate and an imprisoned hunger striker; the Social Democratic and Labour Party did not apparently intend to put up a candidate. The nomination and election of a further hunger striker would anger Protestant opinion in the Province, and would give the extremists on both sides an excuse for stepping up acts of terrorism, particularly in the sensitive period following the opening of the marching season on 12 July. Many moderate Roman Catholics would be reluctant to vote for a hunger striker, and had done so in the previous by-election in Fermanagh and South Tyrone only to exclude the

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Official Unionist, and might well welcome a change in the law which would give them political arguments either for abstaining or for voting for some third candidate.

In further discussion it was noted that including a provision for invalidating nominations in the proposed legislation would be widely regarded as a major change in electoral law of a kind which had normally been made in the past only after a Speaker's Conference and very wide consultation. Such a Bill was bound to be more controversial than one which was simply aimed at substantially restoring the pre-1967 position, and its consideration would take longer in the House of Commons. The Provisional Irish Republican Army (PIRA) would take advantage of the debates to stir up international opinion against the Government, particularly if they could point to the fact that the change was opposed by a large section of Parliamentary opinion. It was argued, on the other hand, that there was widespread public indignation that convicted terrorists serving long prison sentences should be eligible for election to a democratic Parliament. If the Bill did no more than restore the pre-1967 position, the PIRA would again be able to score a propaganda victory of the kind they had claimed in the election of Mr Sands; they might, indeed, put forward as a candidate in the Fermanagh and South Tyrone by-election a prisoner who had only a few weeks left to serve so that he could, after release, claim to be the democratically elected representative of the constituency, even though legally disqualified. Consultations with the Government's own supporters in the House of Commons suggested that they would regard such limited legislation as illogical and as an inadequate response to the current problem. Some would undoubtedly seek to strengthen the Bill during its passage through Parliament. The attitude of the Labour Party made it even more important that the Government side should preserve a united front. This made it desirable that the Bill as introduced should provide for the invalidation of nominations either by the acting returning officer or by some other person on his initiative.

THE PRIME MINISTER, summing up the discussion, said that, although the Cabinet recognised the need to pass a Bill on the disqualification of prisoners from election to Parliament as quickly as possible, they considered that, on balance, the political arguments were in favour of including a provision to permit the invalidation of the nomination of prisoners serving sentences of more than 12 months. The precise wording of the relevant clause should be settled by the Home Secretary in consultation with the Attorney General. Notice of introduction of the Bill should be given that afternoon, with the Bill being published the following day. Second Reading could then be set down for Monday 22 June, with remaining stages later in the same week. The Chancellor of the Duchy of Lancaster should announce the Government's intentions in his business statement that afternoon. The Cabinet noted that this might precipitate a motion for the issue of a writ for the Fermanagh and

South Tyrone vacancy the following day. The Chief Whip should take any necessary steps to ensure that the Government could carry the adjournment of the debate on any such motion until after the Bill had received Royal Assent.

The Cabinet -

2. Agreed that the Representation of the People Bill should make provision for the invalidation of the nomination and the disqualification for election of prisoners serving sentences of more than 12 months put forward as candidates in Parliamentary elections.
3. Invited the Home Secretary, in consultation with the Chief Whip, to arrange for the introduction of the Bill in the House of Commons the following day.
4. Invited the Chancellor of the Duchy of Lancaster and Paymaster General to indicate the Government's intentions during his business statement that afternoon.
5. Invited the Chief Whip to take any necessary steps to ensure the adjournment of any debate on a motion for a writ for the Fermanagh and South Tyrone by-election.

Northern
Ireland

Previous
Reference:
CC(81) 20th
Conclusions,
Minute 3

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that he would be making a statement in the House of Commons that afternoon about the escape from the Crumlin Road gaol in Belfast of eight suspected PIRA terrorists who were being held on remand. They had somehow obtained arms, and had overcome the unarmed prison officers who were guarding them. Several prison officers had been injured. There had been a gun battle outside the prison and the escaped prisoners had got away in circumstances of considerable confusion. The police had subsequently arrested three solicitors. He would consult the Home Secretary about setting up an official internal inquiry into the incident under the direction of a senior member of the United Kingdom Prison Service.

The Cabinet -

6. Took note.

FOREIGN
AFFAIRS

Poland

Previous
Reference:
CC(81) 21st
Conclusions,
Minute 2

2. THE LORD PRIVY SEAL said that the situation in Poland was still deteriorating. The Soviet Union appeared to be deeply concerned about what might emerge from the Polish Communist Party Congress to be held in July and had sent a warning letter to the Polish Central Committee. Pressure from the Soviet Union seemed to be the cause of the recent unsuccessful attempt to displace Mr Kania, the Polish Party Secretary. It was not clear what the next move by the Soviet Union would be. It was significant that refugees from Poland had begun to arrive in Denmark, but no unusual military movement had been detected.

THE HOME SECRETARY said that he would shortly have to take a decision on whether the remains of General Sikorski, the Polish wartime leader, should be removed back to Warsaw in response to a Polish request. He would be consulting the Foreign and Commonwealth Secretary and the Prime Minister before he reached his decision.

Iran

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

THE LORD PRIVY SEAL said that the decision by Ayatollah Khomeini to strip the President of Iran, Mr Bani Sadr, of his powers as Commander-in-Chief of the Iranian Armed Forces seemed to suggest that the Islamic Republican Party in Iran had asserted its supremacy over Mr Bani Sadr's more moderate supporters. The timing of the decision might relate to the fact that the Iranian forces had been achieving some success against Iraq which might have redounded to the credit of their Commander-in-Chief. A particularly worrying feature about the situation in Iran was the increasing infiltration of the Islamic fundamentalists by Communists from the Tudeh party.

Israel

Previous
Reference:
CC(81) 4th
Conclusions,
Minute 2

THE LORD PRIVY SEAL said that, whatever the international results of the Israeli air attack on the Iraqi nuclear establishment near Baghdad might be, it had undoubtedly substantially improved the position of Mr Begin, the Israeli Prime Minister, in the forthcoming election in Israel.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Budget
Restructuring

Previous
Reference:
CC(81) 21st
Conclusions,
Minute 3

3. THE LORD PRIVY SEAL said he had visited Copenhagen the previous day for talks with the Danish Government mainly about Community matters. The Danes were understandably worried about the budget restructuring exercise which was likely to result in some reduction in the financial benefits which they currently enjoyed from the Community.

French
Turkeys

Previous
Reference:
CC(81) 20th
Conclusions,
Minute 2

In a reply to a question, THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said the prospect of large quantities of French turkeys being sold on our market at below the cost of production constituted a serious problem. It was claimed that the aids received by the French industry were of an industrial and regional kind permitted under the Treaty of Rome. Even if the British Government took the matter to the European Court, the damage would have been done before a ruling could be expected. No doubt, in similar circumstances, the French would find covert ways of preventing the imports taking place, but if the British Government were to do the same it would risk being exposed to challenge in a British court by an aggrieved importer. Unless something could be done, anti-Community feeling in this country would be fostered.

Steel

Previous
Reference:
CC(81) 14th
Conclusions,
Minute 3

THE SECRETARY OF STATE FOR INDUSTRY said there was likely to be effective action to control Community steel production with a resulting improvement in prices. The mandatory production quotas expiring on 30 June would be extended for one year for steel coils but probably replaced by voluntary arrangements in respect of other products. There was still a dispute between France and the Federal Republic of Germany on the limitation of state aids in the steel sector.

The Cabinet -

Took note.

LEGISLATIVE
PROGRAMME
1981-82

Previous
Reference:
CC(81) 19th
Conclusions,
Minute 6

4. The Cabinet considered a memorandum by the Home Secretary (C(81) 27) about the legislative programme for the 1981-82 Session of Parliament.

THE HOME SECRETARY said that The Queen's Speeches and Future Legislation Committee (QL) had reconsidered their recommendations for the legislative programme for the 1981-82 Session of Parliament in the light of the Cabinet's views that more emphasis should be placed on Bills furthering the Government's main strategic aims. The Committee now recommended, with the agreement of the Ministers concerned, that six of the Bills which they had originally suggested for the main programme should be deferred. Most of these proposed Bills were in an advanced state of preparation, and would have been unlikely to be very controversial; their deferment did not, therefore, give very wide scope for the addition of other major measures to the programme. The Cabinet had already agreed that the Gas (Industrial and Commercial Supplies) Bill should be added to the programme. This Bill was unlikely to be ready for introduction before February 1982, and if so would not be passed before the Summer Recess in 1982. It would therefore create a need for a spillover period in the House of Lords in the autumn of that year. QL had had grave misgivings about this timetable, and had also been concerned about the demands which would be placed upon the Department of Energy by the need to handle four major Bills in a single Session. QL had accepted the case put forward by the Secretary of State for the Environment for a Housing Bill, subject to further consideration of its scope by the Home and Social Affairs Committee, and for a strictly limited Bill on rates, to include provisions on the establishment of an Accounts Commission for local government; but they had not been able to accommodate his bid for a third Bill on the water industry. QL had recognised that the Secretary of State for Defence's new proposal for a Bill on the privatisation of the Royal Ordnance Factories was very much in line with the approach to next Session's programme favoured by the Cabinet, but considered that the likely timetable for policy consideration and the preparation of such a Bill ruled it out as a practical proposition for the 1981-82 Session. It had been suggested during the Cabinet's last discussion of the proposed programme that the Mental Health (Amendment) Bill might be deferred, but QL concluded that the balance of the programme called for the inclusion of this major piece of social legislation. It had to be accepted that a need might arise at a later stage for Bills other than those now recommended by QL. Time might still have to be found next Session for a Bill on the Canadian Constitution, while the Secretary of State for Employment had indicated that it would probably be necessary to pass a Bill dealing with trade union immunities. Even if it proved possible to find room for these Bills without dropping any of the measures now proposed by QL, it was obviously important to avoid further overloading of what was already a highly controversial programme. He invited the Cabinet to approve the revised draft programme set out in Annexes A-D of C(81) 27, and to endorse the other conclusions of his memorandum.

THE CHANCELLOR OF THE DUCHY OF LANCASTER AND PAYMASTER GENERAL said that the programme of controversial Bills now envisaged would impose considerable demands on the Government's supporters in Parliament, and it was important to be able to demonstrate to them that the programme was being competently managed. Bills should be ready for introduction not later than the times now promised by the Departments concerned, and further provisions should not be added or amendments made to them after they had been introduced. Much would depend on the present Session ending on time and on the 1981-82 Session not being disrupted at the outset by, for example, the need to find time for a delayed Canada Bill. No decision about the timing of that Bill could be taken until the Canadian Supreme Court had given its judgment.

In discussion the following main points were made -

- i. Two of the proposed Department of Energy measures (coal and nuclear energy) would be short money Bills. The Petroleum and Continental Shelf Bill, which was now ready, would be handled by a separate official team and by a separate Minister in the House of Commons from those handling the Gas (Industrial and Commercial Supplies) Bill. It was unlikely that the latter Bill could be ready for introduction before February. This meant that it and the Petroleum and Continental Shelf Bill would not be before the House of Lords at the same time. Such a late date for introduction would, however, pose very serious problems in both Houses and, despite the policy arguments for the Bill, its place in the programme would be in jeopardy unless the timetable for its preparation could be significantly improved.
- ii. The Government's own supporters favoured early legislation to deal with the organisation of the water industry. It was highly desirable that the present system of central pay negotiations between the unions and the National Water Council should be changed at the earliest possible opportunity. Most of the changes proposed in the Water Bill for England could be implemented in Wales by means of subordinate legislation.
- iii. The inclusion of unified housing benefit in the Housing Bill meant that it would require Royal Assent in April or May 1982, so as to meet the timetable for the 1982 benefit uprating. This made it particularly important to keep the remaining provisions of the Bill within a reasonable compass; it might be necessary for example to make a choice between the building regulation and rent deregulation proposals.

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iv. The Insolvency Bill had been suggested as a possible candidate for deferment if it became necessary to find room for an additional major Bill in the programme. The changes in bankruptcy procedures proposed for inclusion in the Bill were highly desirable in their own right, and the consequent saving of 570 staff was the only way in which the Department of Trade could meet its manpower targets. The Bill did not, however, fulfil a major strategic objective, and the Lord Chancellor was still maintaining a reservation on its underlying policy. The savings for the Department of Trade would be partly offset by increased burdens on the county courts and the revenue departments.

v. The proposed legislation on the Royal Ordnance Factories would enable the Government to bring private sector firms into partnership with the factories as a prelude to ultimate privatisation and the reduction of some 20,000 in the size of the Civil Service. It would be helpful if, once the policy had been agreed, the relevant announcement could make clear that the Government were considering the preparation of the necessary legislation. Such an announcement would not carry any commitment to legislation next Session, and its terms would need to be agreed with the Chancellor of the Duchy of Lancaster and the Chief Secretary, Treasury.

vi. If room were available in the programme for additional Bills, those which had been deferred, including, for example, the Health and Social Services (Miscellaneous Provisions) Bill, had a claim for consideration.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the changes suggested by QL brought the programme more into line with the criteria previously agreed by the Cabinet and would, if a Bill on trade union immunities were added, be in line with the political priorities of the Government. They were, however, seriously concerned about the timing suggested for the Gas (Industrial and Commercial Supplies) Bill. Its place in the programme would have to be looked at again unless it could be ready for introduction considerably earlier than was now envisaged. The Cabinet had some doubts about the necessity for an Insolvency Bill next Session in view of the other pressures on the programme, and would need to consider the matter further in the light of any additional points which the Secretary of State for Trade might wish to make. Work should proceed on the preparation of all these Bills and of the proposed Water Bill so that consideration could be given at a later stage either to adding that Bill to the main programme or to offering it to a Private Member. Time would need to be made available next Session for any necessary legislation on trade union immunities. A Bill on the privatisation of the Royal Ordnance Factories should not be added to the programme but, so far as legislation

for the purpose was concerned, the Secretary of State for Defence had authority in due course to make a statement on the lines suggested in discussion.

The Cabinet -

Approved the legislative programme for the 1981-82 Session of Parliament set out in C(81) 27, subject to the points made in the Prime Minister's summing up of their discussion.

LOCAL
AUTHORITY
CURRENT
EXPENDITURE

Public
expenditure
survey
options

Previous
reference:
C(81) 18th
conclusions,
minute 5

5. The Cabinet considered a memorandum by the Secretary of State for the Environment (C(81) 28), recommending that local authority associations should not be consulted in the review of options for reductions in local authority expenditure in 1982-83 and later years to be undertaken in pursuance of the Cabinet's decisions on public expenditure guidelines on 7 May 1981.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that when the Cabinet had discussed the guidelines for the 1981 Public Expenditure Survey on 7 May it had been decided that the provisional working assumption about inflation should be given to the local authority expenditure groups. There was the further question whether the local authorities' views should be sought on the consequences of the 3 per cent and 5 per cent options for reductions in 1982-83 and 5 per cent and 7½ per cent for later years which Ministers were being asked to identify. In his view it would be wrong to do so. It was unrealistic to expect them to make further cuts of that order in their expenditure, and the process of consultation would expose the Government to intense opposition and special pleading: the result would be that the Government would get a great deal of political odium and few if any benefits by way of reduced expenditure. The fear of further cuts on this scale would also prejudice the Government's efforts to reduce local authority expenditure in 1981-82.

In discussion it was argued that details of the options which Ministers have been asked to identify had already appeared in the Press; it was normal for the local authority expenditure groups to discuss options for reductions; and authorities might criticise the Government if they were not consulted. On the other hand there was no operational need for consultation, since Departments were already aware of the sort of action which would need to be taken in order to secure cuts of 3, 5 or 7½ per cent in planned expenditure on particular programmes. Identifying options was intended to do no more than provide the Cabinet with a comprehensive analysis on which it could draw later in the year when it came to its substantive discussions of public expenditure; but the Government's opponents would misrepresent consultations about options

as evidence that the Government had already decided to demand further substantial cuts in local authority expenditure, and the Government would attract considerable and unnecessary criticism.

THE PRIME MINISTER, summing up a short discussion, said that it was not in dispute that Ministers should identify options for reductions in local authority expenditure, on the lines which Cabinet had already agreed. Nor was there any question of withholding from local authorities the agreed inflation assumptions for future years. The only issue was whether the local authorities should be consulted about the possible options for reductions in expenditure in 1982-83 and later years or whether this work should be done within Government Departments. The balance of view in the Cabinet was that there should on this occasion be no consultation about the option cuts with local authority representatives.

The Cabinet -

Agreed that the local authority associations should not at this stage be involved in the examination of option reductions for 1982-83 and later years.

Cabinet Office

11 June 1981