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CC(81) 30th
Conclusions

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CABINET

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

THURSDAY 30 JULY 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 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 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 Michael Jopling MP
Parliamentary Secretary, Treasury

The Rt Hon Tom King MP
Minister of State, Department of the
Environment (Items 4 and 5)

SECRETARIAT

Sir Robert Armstrong
Mr R L Wade-Gery (Items 2 and 3)
Mr D M Ellicott (Items 2 and 3)
Mr W N Hyde (Items 1, 4 and 5)
Mr L J Harris (Items 1, 4 and 5)

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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 first week after the summer Recess. He said that he would be informing the House of Commons that it was proposed to open the new Session of Parliament on 4 November 1981.

THE HOME SECRETARY said that the report on the raids which had been undertaken by the police in Brixton a fortnight ago was not likely to be ready until later in the day. It would be more complex than had been expected, with clear indications that at least some of the property reported as damaged in the raids had been planted in advance. The report would have to go to the Director of Public Prosecutions in the first instance, and he would not be able to make more than a holding statement in the House of Commons before the Recess. He would do this by Written Answer. The Opposition spokesman on home affairs was likely to accept that no more than a holding statement should be made, but might press him for a statement on the events in Liverpool two nights previously, when a man had been killed, apparently by a police van. He had sent his Chief Inspector of Constabulary to Merseyside, and police tactics had already been changed there since the events in question. Nonetheless, though it might be difficult to refuse a statement if it was demanded, it would be preferable not to have to make one, for fear of further exacerbating the already tense feelings on Merseyside about the police. This feeling centred on the Chief Constable. The statutory position was that a police authority had the power, subject to the Secretary of State's approval, to call upon a Chief Constable to retire in the interests of efficiency. The Secretary of State had a statutory right to call on the police authority to exercise that power, but only after an inquiry had been held. The majority of the Merseyside police authority were keen to exercise their power, but his approval would not be forthcoming: it was important that the Chief Constable's authority should be upheld at this time, even if the conduct of the police might not have been beyond criticism. The tactics adopted by the police could give rise to awkward questions of law as well as to political problems.

THE LORD PRESIDENT OF THE COUNCIL confirmed that it was likely that the Government would be defeated in the House of Lords in the debate later in the day on a motion calling upon the Government to reconsider the instructions given to the British Broadcasting Corporation to cut certain external broadcasting services.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Overseas
Representation
at the Royal
Wedding

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the official guests representing overseas States at the wedding of His Royal Highness the Prince of Wales appeared generally to have been well satisfied with their reception in London.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

23-24 July
Budget Council

Previous
Reference:
CC(81) 26th
Conclusions,
Minute 3

3. THE CHANCELLOR OF THE EXCHEQUER said that the meeting of the Council of Ministers (Budget) on 23-24 July, which had been preceded by a bridge-building meeting with a delegation from the European Parliament the day before, had reached agreement on the draft amending Budget for 1981, so opening the way to a political settlement of the dispute with the Parliament over the 1981 Budget. The Council had also established the draft Budget of the Community for 1982. This Budget included full provision for the refunds due to the United Kingdom under the 30 May 1980 agreement in respect of our 1981 contribution. The United Kingdom had also secured an entry in the minutes acknowledging the need for further budgetary action if it proved necessary to extend the refund arrangements to cover 1982. The increases agreed by the Council for the Regional and Social Funds, were reasonably satisfactory, and the fact that the Budget Council, for the first time, had subjected the estimates for agricultural guarantee expenditure to a detailed examination was a welcome development. But, despite pressure from the United Kingdom and Germany for a cut of some £230 million in the Commission's proposals for this section, in accordance with our desire to keep the growth in agricultural spending markedly below the rate of growth in own resources, the most we could achieve after long discussion was agreement on a compromise arrangement under which these sums were transferred to the reserve chapter of the Budget. Provision for the United Kingdom butter subsidy was made in the same reserve chapter, from which funds could in future be drawn by a qualified majority vote in the Council.

27 July
Fisheries
Council

Previous
Reference:
CC(81) 28th
Conclusions,
Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Council of Ministers (Fisheries) on 27 July had been unable to reach agreement on Commission proposals for Total Allowable Catches (TACs) and quotas for the reopening of herring fishing. The Commission had nevertheless asserted that their proposals now had legal force and that they therefore had the right to monitor catches and order fishing to cease if the limits in their proposals were exceeded. They had based this assertion on a recent judgment in which the European Court of Justice had ruled against United Kingdom fisheries conservation measures introduced by the previous

Administration. As Chairman of the Council, he had sought the advice of the Council's legal services. They had agreed that the Commission's claim to impose their proposals in the absence of Council agreement was ill-founded: while it might have some basis so far as conservation measures were concerned, it could not apply to quotas, which were a matter for political decision. In view of the serious implications of this development for the rights and powers of the member states vis-a-vis those of the Commission, he would shortly write to the Foreign and Commonwealth Secretary seeking his advice, and that of Foreign and Commonwealth Office lawyers, on whether the position taken by the Commission at the Fisheries Council should be challenged and if so how. Meanwhile, Dutch, German and Scottish fishing boats had already set sail for the herring fisheries; he had arranged for increased surveillance, with a view to closing the fishery as soon as the TACs had been caught.

In a brief discussion, it was reported that this issue had been raised informally with M Thorn, President of the Commission, during his visit to London for the Royal Wedding. He had himself expressed doubts about whether the Commission had the powers claimed by Commissioner Contogeorgis in the Fisheries Council. There was general agreement on the need for an urgent examination of the scope for United Kingdom action to challenge the Commission's claim to have powers to act when the Council of Ministers had failed to agree. If the Commission were in future able to insist that their proposals came into force in the absence of Council agreement, our own fishing industry would lose confidence in the Government's ability to protect their interests in the run-up to the resumed Common Fisheries Policy negotiations in September. More generally, the Opposition would seize on this development as a further example of the loss of national sovereignty to the bureaucracy in Brussels.

Finance for the
British Steel
Corporation

THE SECRETARY OF STATE FOR INDUSTRY reported that a recent announcement in the Press and on the television that the Commission had approved only £190 million of the total finance agreed by the Government for the British Steel Corporation for 1981-82 told only part of the story, and was unhelpful in terms of public opinion. In fact the Commission had agreed the payment of £190 million to cover the period to the end of October; negotiations were continuing on an application in respect of the remaining £360 million, on which a decision was not expected until the turn of the year: it seemed likely that the decision, when it came, would be in the United Kingdom's favour.

The Cabinet -

Took note.

PROPOSALS FOR
HOUSING
LEGISLATION -
RENT
DEREGULATION

4. The Cabinet considered a memorandum (C(81) 42) by the Chancellor of the Exchequer, the Secretary of State for Industry, the Secretary of State for the Environment and the Secretary of State for Wales about proposals for selective deregulation of private sector rents by area.

THE CHANCELLOR OF THE EXCHEQUER and THE MINISTER FOR LOCAL GOVERNMENT AND ENVIRONMENTAL SERVICES said that the Secretaries of State for the Environment and for Wales had made proposals for the selective deregulation of private sector rents by area for new lettings only. The proposed reduction in expenditure on public housing, which meant that in many areas the only new dwellings that would be built for public letting would be those for the old and other particular groups, made it the more important to reverse the decline in the private rented sector. It had been estimated that up to 60,000 dwellings a year were at present empty because of the existence of rent control and the measures proposed might bring some 10,000 a year on to the rented market. They might also give landlords sufficient return to improve the condition of rented dwellings, which was often very poor. The proposed power disapplying the present fair rent regime would be capable of use in respect of dwellings in any area or for a particular class of dwelling. The power could, if the Cabinet so decided, be expressed as not applying to London, and would in any event be used initially only in non-metropolitan areas. New tenants in deregulated areas would still have security of tenure for one generation and the right to apply to the Rent Officer for a market rent to be fixed. These safeguards, and the fact that no existing tenants would be affected, distinguished the proposals from those in the 1957 Rent Act and, while the Opposition in Parliament would no doubt mount a scare campaign against the proposals, the case for them could be demonstrated. The present system of rent control impeded the mobility of labour and even the proposed relatively modest step towards removing the rigidities of that system would assist those changing jobs or moving with their employment. The Secretaries of State hoped to include the necessary provisions in the Housing Bill to be introduced next Session. The Home and Social Affairs Committee (H) had not, however, been able to agree on the case for early legislation, and the matter had therefore been remitted to the Cabinet for decision.

In discussion it was pointed out that the only rented accommodation available in some rural areas was used for holiday lettings. A young married couple could not find such accommodation. At least in these areas the political effect of the proposed change might be beneficial. It was argued, on the other hand, that the Opposition would undoubtedly unite in opposing the proposals, and any threat by them to repeal the provisions if they were returned to office would make prospective landlords reluctant to provide new lettings, especially since prospective tenants would have security of tenure.

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The housing gain would in any event be neither large nor immediate and did not outweigh the political disadvantages of legislating at this stage of a Parliament. It would be better to contemplate legislation in the first Session of the next Parliament, although that raised the question of what should be said on the subject in any election manifesto.

In further discussion the following points were made:-

- a. Since tenants would retain entitlement to rent allowances or help with housing costs through supplementary benefit, there would be some additional public expenditure through increased rents. The amount would, however, be small and had to be set against the economic arguments for improving the effectiveness of the housing market.
- b. The case for adding this controversial proposal to the Housing Bill had to be judged against the other provisions that might find a place in that Bill and in the context of the legislative programme as a whole.
- c. Even if the proposals were introduced in England and Wales there was no present intention of following suit in Scotland or Northern Ireland.
- d. The proposals differed from the existing provisions for shorthold tenancies in that the deregulation of certain private sector rents would be carried out within the general compass of the Rent Acts. H Committee had already agreed in principle to lift the initial compulsory registration of fair rents for shorthold tenancies in England and Wales outside Greater London. Parliamentary time had not been found to debate the necessary affirmative orders before the Recess.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet accepted the strong case for removing the restrictions on the level of rents in the private rented sector, and some members would have welcomed proposals that went rather further than those in C(81) 42. Other members of the Cabinet had stressed the political difficulties. This difference of view would no doubt be mirrored on the Government's backbenches. There was not sufficient agreement to justify including the provisions, which would undoubtedly prove very controversial, and might be politically damaging, in legislation next Session. Some, at least, of the advantages of deregulation of rents could be obtained by greater use of the system of shorthold tenancies. The Cabinet agreed that the proposed orders removing the requirement that a fair rent must initially be registered with the Rent Officer for a letting to be shorthold should be considered by Parliament as soon as possible,

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preferably during the spillover or, if that did not prove possible because the orders had yet to be considered by the Select Committee on Statutory Instruments, as early as possible in the new Session.

The Cabinet -

1. Agreed not to proceed with legislation for the selective deregulation of private sector rents by area.
2. Invited the Chancellor of the Duchy of Lancaster and Paymaster General and the Lord President of the Council, in consultation with the Secretary of State for Wales and the Minister for Local Government and Environmental Services, to arrange for early debates on the orders relating to shorthold under Section 52(4) of the Housing Act 1980, as indicated in the Prime Minister's summing up of their discussion.

LEGISLATIVE
PROGRAMME
1981-82

Previous
Reference:
CC(81) 22nd
Conclusions
Minute 4

5. The Committee considered a memorandum by the Home Secretary (C(81) 41) about the legislative programme for the 1981-82 Session of Parliament.

THE HOME SECRETARY recalled that at their meeting on 11 June the Cabinet had approved the legislative programme for the 1981-82 Session of Parliament recommended by The Queen's Speeches and Future Legislation Committee (QL) subject to the addition of a Bill dealing with trade union immunities, and to further consideration of the length of the proposed Housing Bill, the timing of the Gas (Industrial and Commercial Supplies) Bill, and the need for an Insolvency Bill. Since then, the Ministerial Committee on Economic Strategy (E) had invited QL to consider the legislative implications of their decision, now announced, to require the British Gas Corporation (BGC) to dispose of their domestic appliance retailing interests over a five year period. The programme provisionally approved by the Cabinet would be a difficult one to handle because of its controversiality, the timing of some of the major Bills, and the likely Parliamentary atmosphere. A Canada Bill would almost certainly have to be introduced early in the Session, and other legislation not at present in the proposed main programme might have to be added later. The Secretary of State for Transport had recently written to him proposing that he should take additional powers in his Transport (Financial Provisions) Bill to control the payment of subsidies by local authorities to passenger transport undertakings. On the particular questions remitted to QL by the Cabinet, it had been agreed that the scope of the Housing Bill should be reviewed by Legislation Committee when the outstanding policy issues had been settled, and a complete draft of the Bill was available. The Secretary of State for Trade had agreed to withdraw his bid for an Insolvency Bill next Session, and the Secretary of State for the Environment now accepted that it was extremely unlikely that time would unexpectedly become available for his Water Bill,

which was not in the programme provisionally approved by the Cabinet. QL had been told by the Secretary of State for Energy that the preparation of the proposed legislation on the BGC's gas supply and purchase monopoly could be advanced to make introduction in January rather than February 1982 possible; but there seemed little prospect of having the gas appliance retailing provisions, which would have to deal with the consequential changes in the safety legislation, being ready before February. In these circumstances, QL had decided to recommend that there should be no legislation next Session on the position of the BGC. Since C(81) 41 had been circulated, the Secretary of State for Energy had indicated in a letter to the Chancellor of the Duchy of Lancaster that, instead of legislating next Session on the BGC's monopoly on North Sea gas, he would be prepared to substitute a White Paper containing proposals which would form a basis for legislation in the 1982-83 Session, but that he still considered legislation on gas appliance retailing essential in view of the firm public commitment given by the Government. Finally, in the light of further representations made by the Prince of Wales and the Duchy of Cornwall authorities, QL had accepted the case for adding a Bill to the programme to enable improvements to be made to the management of the Duchy, on condition that the legislation was introduced in the House of Commons, and that its reference to a Second Reading Committee was not blocked. Since QL's discussion the Secretary of State for Transport had come forward with proposals for urgent legislation in the finance and control of public transport undertakings.

THE CHANCELLOR OF THE DUCHY OF LANCASTER AND PAYMASTER GENERAL said that the Government's own supporters still expected them to honour their repeated undertakings to seek to lighten the burden of legislation. The proposed programme for 1981-82 was already a heavy one, and proposals for further additions had been made even since the Home Secretary's memorandum was circulated. He remained concerned about the lack of co-ordination between policy formation and the planning of the legislative programme. This might to some extent be unavoidable in view of the unsettled social and economic situation with which the Government had to deal, but it was particularly important that priorities should be carefully chosen, and that the net burden of proposed legislation should not be increased. This in turn implied that, if major additions were to be made to the programme, it might be necessary to defer other measures of comparable importance whose inclusion in the programme had already been approved.

Gas
Legislation

In discussion, it was agreed that the Gas (Industrial and Commercial Supplies) Bill should be dropped from next Session's programme, on the understanding that the Government's proposals would be set out in a White Paper as a basis for legislation in the 1982-83 Session. It was noted that the proposals on gas appliance retailing stemmed from one of the first reports by the Monopolies and Mergers Commission (MMC) to report adversely on a nationalised industry. It was important that the Government should demonstrate their determination to control monopolies in the public sector as well as in the private sector and follow up their positive response to the MMC report by taking the necessary legislative powers as quickly as possible. It was clear that the BGC would not voluntarily comply with the Government's wishes in this area, and it was evident from a recent meeting between the Trades Union Congress and Treasury Ministers that they regarded the issue as a test case on privatisation. Although there was concern among some Government supporters about the Government's approach, a failure to take effective action would certainly be seen as a major climb-down by the Government. The provisions to compel the BGC to dispose of their retailing interests would be straightforward and could be drafted quickly, but the accompanying safety provisions were much more complicated, and might not be ready until February. It was for consideration whether, in order to expedite the introduction of legislation, the provision on safety in the primary legislation should take the form of enabling powers under which detailed regulations could be effected by subordinate legislation. It was highly desirable that the Bill should be introduced before the Christmas Recess, and everything possible should be done to expedite its preparation.

Transport

THE SECRETARY OF STATE FOR TRANSPORT said that the Greater London Council (GLC) had announced their intention to cut London Transport fares by 25 per cent. Some metropolitan counties controlling passenger transport executives planned similar action. This would entail an increase in subsidies over those allowed for in current public expenditure plans of £265 million in the current year, and £450 million in the following year. This was a direct challenge to the Government's control of public expenditure, and he would be proposing to E the following day that he should seek powers at the beginning of next Session which would, in effect, impose external financing limits on London Transport and the other Passenger Transport Executives concerned and also contain other necessary controls. He had suggested to the Chancellor of the Duchy of Lancaster in his letter of 27 July that between 12 and 15 clauses should be added to his proposed Transport (Financial Provisions) Bill for this purpose. The Bill could be ready for introduction at the beginning of the Session if the ports provisions were transferred to the second Transport Bill, which would then be introduced rather later. The Chancellor of the Duchy of Lancaster

had suggested that the necessary powers might be taken in the Local Government Finance Bill planned for later in the Session, but this Bill would not be passed in time to enable him to restrain subsidies in the financial year 1982-83.

In discussion, the case for early action to restrain the payment of subsidies by the GLC and other local authorities, and thus the burden on the ratepayers, was accepted. The approach suggested by the Secretary of State for Transport would mean that excessive expenditure on public transport was dealt with in a different way from that likely to be proposed for local authority expenditure generally in the Local Government Finance Bill. This could involve some presentational difficulties, though there could also be advantages in making it clear that, in taking drastic powers affecting certain local authorities' ability to manage transport undertakings, the Government were not seeking to alter in other respects the overall balance between local and central Government.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the Insolvency Bill and the Gas (Industrial and Commercial Supplies) Bill should be deleted from the programme for 1981-82 which they had earlier provisionally approved. They accepted that the necessary powers should be taken in a separate Bill to enable the Government to honour their commitment to compel the BGC to dispose of their gas appliance retailing interests. They were disturbed to learn that such a measure might not be ready for introduction before February 1982. The Secretary of State for Energy should use his best endeavours to improve on this timetable, perhaps by confining the safety provisions to a broad enabling power under which subordinate regulations could be made, with the object of having the Bill ready for introduction, if at all possible, before the Christmas Recess. The Cabinet agreed that the attitude of the GLC and certain metropolitan counties towards passenger transport subsidies was a direct threat to the authority of the Government. The Committee would consider the proposals by the Secretary of State for Transport and any necessary legislation would have to be given priority. They noted that it might be possible to add provisions to the Transport (Financial Provisions) Bill for introduction at the beginning of the 1981-82 Session, and that this and other additional pressures on the programme might mean that it would not be possible to proceed with some other proposal already approved for inclusion in the programme. They approved the addition of the Duchy of Cornwall Management Bill to the list of Bills for Second Reading Committee procedure next Session. They noted that Legislation Committee would review the scope of the proposed Housing Bill when all the provisions which had received policy approval in principle had been drafted.

The Cabinet -

1. Agreed that the Insolvency and Gas (Industrial and Commercial Supplies) Bills should be deleted from the programme provisionally approved for the 1981-82 Session.
2. Approved the addition to the programme of a Bill to compel the British Gas Corporation to dispose of their gas appliance retailing interests, and invited the Secretary of State for Energy to use his best endeavours to ensure that such a Bill could be ready for introduction before the Christmas Recess.
3. Subject to policy approval by the Ministerial Committee on Economic Strategy, agreed that provisions to control the payment of subsidies by local authorities to passenger transport undertakings and to deal with other matters related thereto should be added to the programme.
4. Approved the addition of the Duchy of Cornwall Management Bill to the programme, on condition that its reference to a Second Reading Committee was not blocked in the House of Commons.
5. Invited Legislation Committee to review the scope of the proposed Housing Bill when a complete draft was available.

Cabinet Office

30 July 1981