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CC(81) 41st  
Conclusions

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CABINET

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

THURSDAY 17 DECEMBER 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 Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer

The Rt Hon Sir Keith Joseph MP  
Secretary of State for Education and Science

The Rt Hon Francis Pym MP  
Lord President of the Council

The Rt Hon James Prior MP  
Secretary of State for Northern Ireland

The Rt Hon John Nott MP  
Secretary of State for Defence

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  
Lord, Privy Seal

The Rt Hon Patrick Jenkin MP  
Secretary of State for Industry

The Rt Hon John Biffen MP  
Secretary of State for Trade

The Rt Hon David Howell MP  
Secretary of State for Transport

The Rt Hon Norman Fowler MP  
Secretary of State for Social Services

The Rt Hon Leon Brittan QC MP  
Chief Secretary, Treasury

The Rt Hon Baroness Young  
Chancellor of the Duchy of Lancaster

The Rt Hon Nigel Lawson MP  
Secretary of State for Energy

The Rt Hon Norman Tebbit MP  
Secretary of State for Employment

The Rt Hon Cecil Parkinson MP  
Paymaster General

**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 D H J Hilary (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.

London  
Transport  
Fares  
  
Previous  
Reference:  
CC(81) 40th  
Conclusions,  
Minute 1

THE SECRETARY OF STATE FOR TRANSPORT said that in a judgment delivered that morning the five Law Lords who had been hearing the case of Bromley Council v. the Greater London Council (GLC) on the payment of subsidies to London Transport had unanimously upheld the decision of the Court of Appeal. He had yet to see the full text of the judgment. If the ruling was that the payment of any subsidies by the GLC to London Transport was unlawful, early legislation would probably be necessary to permit the payment of reasonable subsidies and to prevent fares being increased to a wholly unacceptable level. If (as seemed more likely) the decision was that subsidies were not in themselves unlawful but that the GLC had gone further than was reasonable, no immediate legislation would be needed, though an urgent review of London Transport's financial position would have to be put in hand, and sharp fare increases would still be inevitable. The position on the supplementary rate levied by the GLC would have to be clarified, since part of the yield had already been used to subsidise fares, with a further proportion being earmarked for future subsidies. The effect of the judgment on the payment of subsidies by other local authorities to passenger transport executives would depend on the detailed grounds for the Law Lords' decision.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet recognised that the judgment was a major vindication of Government policy. In their first public response to it, the Secretary of State for Transport and other Ministers concerned should avoid being drawn into technicalities, and should concentrate on getting across the essential point that in an important area the Courts had demonstrated that they were prepared to protect rate-payers against irresponsible and unlawful expenditure by local authorities. The Secretary of State for Transport should make the Government's position clear in his reply to the Private Notice Question which had been tabled by Mr Nigel Spearing MP for answer that afternoon. He should also, in consultation with the Secretary of State for the Environment and the Attorney General, urgently prepare an analysis for the information of the Cabinet of the implications of the judgment.

The Cabinet -

1. Invited the Secretary of State for Transport -

i. to reply to the Private Notice Question tabled by Mr Nigel Spearing MP on the lines indicated by the Prime Minister in her summing up of their discussion;

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- ii. in consultation with the Secretary of State for the Environment and the Attorney General, to circulate urgently for the information of the Cabinet a note on the implications of the House of Lords judgment.

Control of Local  
Authority  
Expenditure

Previous  
Reference:  
CC(81) 36th  
Conclusions,  
Minute 5

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the level of the rate support grant for 1982-83 reflected the agreement reached in Cabinet on the total expenditure of local authorities. In a number of crucial areas the expenditure incurred by local authorities was influenced or determined by Ministers responsible for functional programmes. Although Ministers in charge of the major spending Departments had made it clear that they would resist any attempt to exceed the agreed targets, it had been alleged by a number of local authorities and local authority associations that officials had in some cases put them under pressure to maintain existing expenditure on particular programmes. Local authorities could be expected to attempt to play one Department off against another, and it was extremely important that all Ministers should impress on their officials the need to ensure that in their dealings with local authorities they said and did nothing which could be regarded or prayed in aid by local authorities as an excuse for failure to stay within their overall expenditure targets.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet recognised that the breakdown of local authority expenditure as published in successive Public Expenditure White Papers was indicative rather than prescriptive, and that individual authorities had discretion to determine their own priorities within the global total. Ministers and officials should, however, do their utmost to ensure that the total was not exceeded, and should heed the guidance given by the Secretary of State for the Environment in what he had said. Local authorities should be asked to justify in detail any proposed expenditure on individual items which went beyond the indicative targets, and to explain what compensating adjustments would be made to other programmes.

The Cabinet -

2. Invited all Ministers concerned to ensure that, in their discussions with local authorities, officials did nothing which might appear to encourage or condone failure by the authorities to observe the expenditure targets agreed by the Cabinet.

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Poland

Previous  
Reference:  
CC(81) 33rd  
Conclusions,  
Minute 3

2. THE LORD PRIVY SEAL said that lack of information made it impossible to be clear what was happening in Poland, following the military clamp-down on 13 December. The whereabouts of the leader of the Solidarity trades union movement, Mr Walesa, were not known; it seemed likely that he was not fully at liberty, and that he was resisting pressure from the Polish authorities to co-operate with them, eg by appearing on television. Workers holding sit-in protests in their factories had been evicted by the Army and the police, but there were no confirmed reports of casualties. Soviet troops in Poland were confined to their barracks; and there was no sign of external military intervention. But it was improbable that the Polish people would simply accept the present situation; and there was a clear risk of further strikes and disturbances taking place that day, which was the anniversary of the 1970 riots in Gdansk. The Polish Army consisted largely of conscripts, many of whom would have family ties with members of Solidarity, and could not be expected to be able to maintain control if there were widespread unrest. In such circumstances the Polish Government would be extremely reluctant to resume negotiations with Solidarity and might therefore feel obliged to call for Soviet military help. There were some 600 British subjects in Poland, who had been advised to keep their heads down. Local communications were heavily restricted. The Foreign Ministers of the member countries of the European Community had agreed that economic assistance to Poland already in the pipeline should not be stopped but that no decisions could yet be made about 1982. Current deliveries of British food aid were largely complete. There was no present intention to re-open the multilateral agreement on re-scheduling Poland's official 1981 debts to the West, which had been signed some months earlier, but the equivalent agreement for 1982 would not be signed for the time being. As regards Poland's non-official debts to over 400 Western banks, interest payments under agreed re-scheduling arrangements were due on 28 December. It was not clear whether these payments would be made; nor whether Poland would be declared to have defaulted if they were not. Public default might precipitate Soviet intervention.

In the course of a brief discussion it was noted that there were arguments both for and against the continuation of food aid and other forms of assistance. The Foreign and Commonwealth Secretary would shortly be sending his colleagues a minute on the implications of the present situation for Departments' economic dealings with Poland; and the Secretary of the Cabinet would arrange for any interdepartmental co-ordination needed in that context.

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Arab/Israel

Previous  
Reference:  
CC(81) 40th  
Conclusions,  
Minute 2

THE LORD PRIVY SEAL said that the Israelis had taken advantage of international preoccupations with Poland to extend their law to the Golan Heights area of Syria which they had occupied since 1967. This move was tantamount to annexation and was contrary both to international law and to the United Nations' Resolution 242. It had attracted the condemnation of most other Governments, including the United States. The matter was currently being considered by the United Nations Security Council, on the basis of an acceptable Syrian draft resolution which did not demand the imposition of sanctions. This draft called on the Israelis to rescind their decision and envisaged a further meeting of the Council in a week's time at which the Secretary General would report on their response. The Israeli Foreign Minister, Mr Shamir, had sought to justify his Government's behaviour in a letter to the Foreign and Commonwealth Secretary, to which no reply had yet been sent. Meanwhile the Syrians were adopting a threatening attitude but had not attempted to take military action and were probably incapable of doing so effectively.

East/West  
Relations

Previous  
Reference:  
CC(81) 38th  
Conclusions,  
Minute 2

THE LORD PRIVY SEAL said that little progress had been made at the review meeting in Madrid of the Conference on Security and Co-operation in Europe. It had been in danger of coming to an unsatisfactory end before Christmas, but the neutral and non-aligned governments involved had now put forward a proposal for the meeting to be reconvened in February 1982. If this were adopted, as seemed possible, the Western Alliance would continue to be able to use the Conference as a means of exposing the inadequate human rights record of the Soviet Union and other Communist states.

United Nations

THE LORD PRIVY SEAL welcomed the appointment of the Peruvian candidate, Senor Cuellar, as Secretary General of the United Nations. He already had considerable experience of United Nations work. The candidacy of the Commonwealth Secretary General, Mr Shridath Ramphal, had attracted little support.

The Cabinet -

Took note.

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COMMUNITY  
AFFAIRS

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30 May Mandate

Previous  
Reference:  
EC(81) 40th  
Conclusions,  
Minute 3

3. THE LORD PRIVY SEAL said the meeting of Foreign Ministers on 14 and 15 December had not been able to solve the four outstanding points on the Mandate of 30 May 1980 which had been referred to them by the European Council. There were signs that agreement could have been reached on Mediterranean agriculture and the control of agricultural expenditure within the Community budget but differences still existed on milk and on the budget problem itself. At a restricted session of Foreign Ministers alone, the Foreign and Commonwealth Secretary had gained the firm impression that there was now more understanding of the British position on the budget issue and some chance of movement after Christmas. The President of the Commission had been invited to prepare revised suggestions, and the Foreign and Commonwealth Secretary would be seeing him in Strasbourg that day in order to ensure that he was aware of the British Government's minimum requirements.

In a brief discussion it was noted that the Prime Minister had reported to the European Parliament in Strasbourg on the outcome of the recent meeting of the European Council. At the Council of Ministers (ECOFIN) on 14 December some minor issues had been agreed, but no agreement had been reached on the Directive providing for freedom to supply insurance services. It would now be necessary to consider whether, in spite of the wishes of the British insurance industry, the Government should modify its position on notification procedures or abandon the efforts to secure an agreed Directive. The ECOFIN Council had instructed its subsidiary bodies to examine the further development of the European Monetary System in preparation for discussion at the next meeting of the European Council. Collective discussion of possible British membership of the exchange rate mechanism would be necessary before then. A further meeting of the Council of Ministers (Budget) before Christmas would probably be necessary in the light of the voting in the European Parliament on the 1982 Community Budget. The meeting of the Council of Ministers (Transport) on 15 December had achieved very little. The meeting of the Council of Ministers (Agriculture) on 15 December had been notable for the widespread criticism, including that of the Federal Republic of Germany, of the recent decision by the French Government to give substantial further financial aid to the French farming industry. The Council of Ministers (Social Affairs) on 8 December had reached agreement on a regulation extending reciprocal social security rights to the self-employed. This was an important step forward which should be given publicity. There was also a prospect that agreement could be reached on the Directive to control the exposure to lead of workers in the lead industry.

The Cabinet -

Took note.

Cabinet Office

17 December 1981

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