CC(83) 7th
Conclusions

COPY NO 79

CABINET

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

THURSDAY 3 MARCH 1983

at 10.00 am

P R E S E N T

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 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 James Prior MP Secretary of State for Northern Ireland	The Rt Hon Peter Walker MP Minister of Agriculture, Fisheries and Food
The Rt Hon Michael Heseltine MP Secretary of State for Defence	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 Patrick Jenkin MP Secretary of State for Industry
The Rt Hon John Biffen MP Lord President of the Council	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 Lord Privy Seal	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 Chancellor of the Duchy of Lancaster and Paymaster General
The Rt Hon Lord Cockfield Secretary of State for Trade	The Rt Hon Tom King MP Secretary of State for the Environment

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

The Rt Hon Douglas Hurd MP
Minister of State, Foreign and Commonwealth Office

SECRETARIAT

Sir Robert Armstrong
Mr P L Gregson (Items 4 and 5)
Mr D J S Hancock (Items 2 and 3)
Mr R L L Facer (Items 2 and 3)
Mr D H J Hilary (Item 1)
Mr M S Buckley (Items 4 and 5)
Mr L J Harris (Item 1)

C O N T E N T S

PARLIAMENTARY AFFAIRS

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

Parliamentary Control of Expenditure (Reform) Bill

Previous Reference: CC(83) 1st Conclusions, Minute 6

THE CHANCELLOR OF THE EXCHEQUER said that the leading Conservative sponsors of the Parliamentary Control of Expenditure (Reform) Bill, Mr Norman St John-Stevas and Mr Edward du Cann, now appeared anxious to resolve their conflict with the Government over the provisions of the Bill as soon as possible. At a meeting with the Chief Secretary, Treasury, earlier that week, it had appeared likely that they would accept a compromise under which their proposals to give the Comptroller and Auditor General (C and AG) direct access to nationalised industries and publicly owned companies would be dropped, together with clause 4 (which would give the C and AG access to private sector companies funded by the Government). In return, Ministers would be required to consult Parliament about the programme of references of nationalised industries to the Monopolies and Mergers Commission, and Parliament would be more closely involved in the follow-up to such reports; and there would be new arrangements under which the commercial auditors of the nationalised industries would carry out value for money audits, reporting to the sponsoring Minister. Copies of their reports would go to the C and AG, the Public Accounts Committee, and the relevant Departmental Select Committee, and could then be used as a basis for a further examination by Parliament. He believed that, unlike the proposals at present contained in the Bill, arrangements on these lines could lead to an improvement in the efficiency of the nationalised industries, and that they formed a basis for an acceptable compromise. If the Cabinet approved the proposals, it would be desirable to reach a firm agreement with Mr du Cann and Mr St John-Stevas as soon as possible; otherwise, they might well be persuaded by Mr Joel Barnett, and other sponsors of the Bill, to adopt a less flexible attitude.

THE CHIEF SECRETARY, TREASURY, said that he had put the proposals outlined by the Chancellor of the Exchequer to three nationalised industry Chairmen that morning, without commitment. Subject to a minor technical point, they had found them acceptable, and thought that they would also be acceptable to the other nationalised industry Chairmen. If the proposals were approved by the Cabinet, he intended to tell Mr St John-Stevas and Mr du Cann that, if they could reach agreement with the Chairmen of the nationalised industries on revised proposals on these lines, the Government would be prepared to go along with them. He would make it clear that the Bill would remain a Private Member's measure, and that there could be no question of the provision of Government time for its further consideration.

In discussion the following points were made -

a. A number of nationalised industry Chairmen might well find the compromise proposals unacceptable.

b. The concept of a value for money audit was a very vague one; and it might be desirable that value for money audit should be carried out by consultants who were independent of the normal commercial auditors, and who were clearly answerable to the sponsoring Minister and not to the board of the nationalised industry concerned.

c. Companies Act companies should be excluded from the scope of the proposed arrangements. The setting up of such companies was often a useful intermediate step in the process of privatisation, and that process would be hindered if they were to continue to be subject to Parliamentary accounting procedures.

d. The introduction of value for money audits could lead to significant improvements in the efficiency of the nationalised industries. They might be modelled on the management systems audits which had already been successfully carried out for London Transport. It might not be necessary for separate auditors to be appointed in each industry for the value for money and for the commercial audits; the auditors of all the nationalised industries were appointed by, and answerable to, the sponsoring Ministers, and Ministers would have control over the form and scope of any value for money audit.

e. Even if the Government reached agreement with some of its sponsors on appropriate amendments, there was no guarantee that the amendments would be acceptable to other sponsors, such as Mr Joel Barnett. The proposed compromise with Mr St John-Stevas and Mr du Cann could not therefore be sure of producing a reasonably acceptable Bill.

f. The Bill was likely to be opposed at Report Stage on 12 May by some Opposition Members. If they were successful in obstructing the Bill's progress, the Government would come under heavy pressure to introduce a Government Bill on similar lines in the following Session. This should be resisted, since if a Government Bill were introduced there would then be heavy pressure to restore the objectionable provisions which the Conservative sponsors of the present Bill were willing to drop; such pressure would be easier to resist if the Bill were a Private Member's one. It was, however, desirable that the Bill should be put into a more acceptable form even if it were not passed, so that it would be available in that form to any Private Member who was minded to takeit up in a future Session.

g. It would have to be made clear to the sponsors of the Bill that the Government's agreement in principle to the revised proposals did not in any way imply a commitment to ensure its passage.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that on balance a compromise on the lines suggested by the Chancellor of the Exchequer was desirable, provided that the sponsors of the Bill clearly accepted that continuing Government support was conditional upon the deletion of clause 4 of the Bill as it stood, and upon the exclusion of all Companies Act companies from the proposed arrangement. No Government time would be made available for the Bill. The proposed value for money audits could be carried out by the commercial auditors of each nationalised industry, though different auditors with the appropriate skills might need to be appointed in some cases. The Chief Secretary, Treasury, should inform Mr St John-Stevas and Mr du Cann that, if they could secure the agreement of the nationalised industry Chairmen to the proposed compromise, the Government would not oppose appropriate amendments to the Bill. Any detailed points that needed further consideration should be considered by the Ministerial Group on Parliamentary Control of Expenditure (MISC 92).

The Cabinet -

1. Invited the Chief Secretary, Treasury, to inform Mr Norman St John-Stevas and Mr Edward du Cann that the Government would accept a compromise on the lines suggested by the Chancellor of the Exchequer, as indicated in the Prime Minister's summing up of their discussion.

2. Invited the Chancellor of the Exchequer to arrange for any details of the proposed compromise needing further discussion to be considered by the Ministerial Group on the Parliamentary Control of Expenditure (MISC 92).

FOREIGN AFFAIRS

Middle East

Previous Reference: CC(83) 6th Conclusions, Minute 2

2. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (MR HURD), said that the next few weeks were likely to prove crucial for the success of President Reagan's plan for a Middle East settlement. If the plan collapsed, the way would be clear for an increase in Soviet influence in the region. King Hussein of Jordan, whom he had seen in London on 28 February, was uncertain whether he would be able to reach a sufficient measure of agreement with the Chairman of the Palestine Liberation Organisation, Mr Arafat, to enable him to visit Washington to speak on behalf of the Palestinians as well as the Jordanians. King Hussein would ask the United States Government how they proposed to fulfil their assurances about a freeze on new Israeli settlements on the West Bank and Gaza and the withdrawal of Israeli forces from the Lebanon. The Foreign and Commonwealth Secretary was expected to discuss the problem later that day with President Reagan and the United States Secretary of State, Mr Shultz.

It was still unclear whether the difficulty of the representative of the Palestinians on the Arab League delegation to visit London on 18 March had been solved (though the Moroccan Government professed to be confident that they had), and therefore whether the visit would take place. It was important that the visit should take place, since Arab countries, other than Egypt and Oman, were still withholding agreement to Ministerial visits in either direction.

Gibraltar

Previous Reference: CC(83) 6th Conclusions, Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE, said that the Spanish Foreign Minister, Senor Moran, had accepted the offer of a meeting with the Foreign and Commonwealth Secretary in London on 16 March. Gibraltar would thus be discussed as one of a number of subjects in the course of a visit to London which was one of a series of visits to European capitals being undertaken by Senor Moran.

Federal Republic of Germany

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE, reported that the Federal German Foreign Minister, Herr Genscher, had told him in the margins of a meeting of European Foreign Ministers on 1 March that he believed that both the Free Democrats and the Greens would obtain sufficient votes in the elections on 6 March to ensure representation in the Federal Parliament and that the present coalition Government would continue in office.

The Cabinet -

Took note.

COMMUNITY AFFAIRS

Polish Debt

3. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (MR HURD), said that Polish debts had been discussed at the Community's Political Co-operation Meeting on 1 March. The Poles were at present paying nothing on their official debt, and the Community's Foreign Ministers wanted to take up the matter with the Polish Government in collaboration with the other creditors including the United States. The United States Government was reluctant on the grounds that a refusal to discuss such matters was a mark of political disapproval of the regime; the opinion of Community Ministers was that it did not make sense to show disapproval by accepting unjustifiable financial penalties.

European Parliament: Northern Ireland

Previous Reference: CC(83) 6th Conclusions, Minute 3

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE, said that the Political Co-operation Meeting had also discussed the proposal that the European Parliament should investigate the affairs of Northern Ireland. The President of the Commission, Monsieur Thorn, had made a helpful intervention in support of the United Kingdom's view. The Foreign and Commonwealth Secretary had recommended that the President of the Political Committee of the European Parliament be told that the matter should be dropped. The Attorney General had been asked to advise whether it would be possible for the United Kingdom to bring an action against the European Parliament in the European Court.

1983 Farm Price Negotiations

Previous Reference: CC(83) 2nd Conclusions, Minute 3

THE PRIME MINISTER said that the price review had been discussed at her meeting with the Prime Minister of the Netherlands on 2 March. Mr Lubbers had said that the Commission's proposal for a 4½ per cent price increase was too much for the Netherlands where the rate of inflation was only 2½ per cent.

In discussion it was pointed out that the Dutch Prime Minister's line was inconsistent with that of his own Minister of Agriculture who had said that the Commission's proposals provided a good starting point for negotiations but would have to be improved in certain areas.

Meeting with Members of the European Parliament

THE PRIME MINISTER said that she had received the members of the European Democratic Group of the European Parliament at 10 Downing Street on 1 March. She had told her guests that it was essential that the budget problem be solved by June. Even though the rest of the Community had undertaken to find a solution by November 1982, the United

Kingdom still had absolutely no protection for 1983 and it would be impossible for the Government to go into an Election campaign with the problem unsolved. The Government would, therefore, be obliged to contemplate withholding if nothing were done. It was unfortunate that reports of this private discussion had appeared in the press.

In discussion it was suggested that some of the positions taken by the United Kingdom in Community negotiations carried the risk that the Government would appear to the British public as hostile to the Community. On the other hand it was argued that, by firmly defending British membership and at the same time fighting hard for British interests within the Community, the Government occupied a comfortable position midway between those who wanted to withdraw and those who admired the Community uncritically. In any case, British public opinion would turn against Community membership if nothing were done about the United Kingdom's net contribution to the Community budget, which was likely to be well in excess of £1 billion in 1983 if it were not corrected.

INDUSTRIAL AFFAIRS

National Coal Board: Industrial Action

Previous Reference: CC(82) 53rd Conclusions, Minute 4

4. THE SECRETARY OF STATE FOR ENERGY said that the National Union of Mineworkers (NUM) had balloted its members in South Wales seeking authority for strike action in protest against the closure of the Tymawr-Lewis Merthyr pit. The majority in favour of strike action had been only fractionally above the 55 per cent required, after two recounts. The NUM's area executives in Yorkshire, Scotland and Kent had recommended their members to join the strike from Sunday 6 March. In some other areas, particularly in the Midlands, ballots were being held. There was evidence of resentment at certain pits in Yorkshire that ballots had not been held there. An emergency meeting of the National Executive Committee (NEC) of the NUM had been called that morning, at which the NUM President, Mr Scargill, would probably try to secure a decision that the NUM's rules could be interpreted so as to permit the NEC to call for a national strike without a ballot. Even if the NEC did take such a decision, it was possible that some areas would proceed with their own arrangements for ballots. The extent of support for a national strike would become clearer over the next few days. The case which had been made by the National Coal Board (NCB) for closing the Tymawr-Lewis Merthyr pit was exceptionally strong: it was over 100 years old and was no longer workable; all the 500 miners involved had been offered new jobs in the same area. The Government should continue to leave it to the NCB to get the facts and arguments across both to miners and to the public; they were already having some success in this direction. The Government's public stance should be confined to expressing confidence in the NCB and its management and to stating that decisions on closures were a matter for the NCB.

Pay Negotiations in the Electricity Supply and Gas Industries

Previous Reference: CC(83) 6th Conclusions, Minute 4

THE SECRETARY OF STATE FOR ENERGY said that the pay negotiations in the electricity supply industry were reaching a critical stage. The Electricity Council was meeting the trade unions that day and believed that there was some chance of a settlement, although this seemed on balance to be unlikely. If no settlement seemed likely in the course of the day, the Electricity Council would withhold its final offer and there would be a further round of negotiation. In the gas industry the offer recently made by the employers had been turned down, and it was unlikely that there would be further contacts between the two sides for a week or two.

Water Industry Dispute

Previous Reference: CC(83) 6th Conclusions, Minute 4

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that rapid progress had been made by the water authorities in restoring normal supplies since the end of the dispute. At that time the number of households required to use standpipes had been 91,000; all but 100 of these had now had normal supplies restored. The number of those required to boil water had been reduced to 1 million. He had pressed the water authorities to use all available means for restoring supplies including the use of contractors, and to avoid excessive overtime. The acceptance by 1 million local authority manual workers of a pay settlement of 4.86 per cent had been helpful in limiting the repercussive effects of the water industry settlement; it was hoped that a settlement would be achieved with the local authority craftsmen at around the same level.

THE PRIME MINISTER, summing up the discussion, said that, although the water industry employers had not succeeded in presenting their case well or in securing a settlement at a satisfactory level, they were to be congratulated on their efforts in ensuring that a strike which had lasted for over four weeks had caused so little disruption to normal water supplies.

The Cabinet -

Took note.

Cabinet Office

3 March 1983