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CC(83) 27th  
Conclusions

COPY NO 76

CABINET

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

THURSDAY 15 SEPTEMBER 1983

at 10.00 am

P R E S E N T

The Rt Hon Margaret Thatcher MP  
Prime Minister

The Rt Hon Viscount Whitelaw  
Lord President of the Council

The Rt Hon Lord Hailsham  
Lord Chancellor

The Rt Hon Sir Geoffrey Howe QC MP  
Secretary of State for Foreign and  
Commonwealth Affairs

The Rt Hon Leon Brittan QC MP  
Secretary of State for the Home Department

The Rt Hon Nigel Lawson 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  
Secretary of State for Energy

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 Patrick Jenkin MP  
Secretary of State for the Environment

The Rt Hon John Biffen MP  
Lord Privy Seal

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

The Rt Hon Norman Tebbit MP  
Secretary of State for Employment

The Rt Hon Cecil Parkinson MP  
Secretary of State for Trade and Industry

The Rt Hon Lord Cockfield  
Chancellor of the Duchy of Lancaster

The Rt Hon Tom King MP  
Secretary of State for Transport

The Rt Hon Michael Jopling MP  
Minister of Agriculture, Fisheries and Food

The Rt Hon Peter Rees QC MP  
Chief Secretary, Treasury

SECRET

ALSO PRESENT

The Rt Hon John Wakeham MP  
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong  
Mr P L Gregson (Items 4 and 5)  
Mr A D S Goodall (Items 1 and 2)  
Mr D F Williamson (Items 1 and 2)  
Mr M S Buckley (Items 4 and 5)  
Mr C J S Brearley (Item 3)  
Mr R Watson (Item 3)

SECRET

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SECRET

SECRET

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1. THE FOREIGN AND COMMONWEALTH SECRETARY said that the general Western reaction to the shooting down by the Soviet Union of a Korean civil airliner in August had been to see the incident as revealing the true nature of the Soviet system, while at the same time recognising the need to continue with efforts to reduce East-West tension. The President of the United States, Mr Reagan, had allowed arms control negotiations to proceed, but had sought the widest possible international backing for condemnation of the Soviet action. The British Government shared this approach and was actively supporting moves by the Korean Government in the International Civil Aviation Organisation (ICAO) and the Security Council of the United Nations to obtain an independent investigation into the incident; to secure compensation for the victims, punishment of those responsible and an apology from the Soviet Union; and to bring about changes in rules and practices so as to prevent any recurrence. Despite the refusal of France, Greece and Turkey to take part, a clear majority of Western countries had agreed to ban commercial flights between their countries and the Soviet Union, and overflights by Soviet aircraft for a period of two weeks. This was less than the United States wanted, but represented the widest obtainable measure of agreement. Vigorous diplomatic action had succeeded in mustering the necessary nine votes in the Security Council for a resolution which the Soviet Union had been obliged to veto, but there had once again been a worrying tendency on the part of neutral and non-aligned countries to balance hostility against the Soviet Union with a show of hostility to the United States.

THE PRIME MINISTER, summing up the discussion, noted that before the Government's two week ban on flights to and from the Soviet Union had been announced the British Airlines Pilots Association (BALPA) had decided on a 60 day ban, primarily out of legitimate concern for the safety of crews and passengers. It was desirable that the ban operated by BALPA should be coterminous with that imposed by the Government, and it would be necessary to consider how best to bring this about. Internationally the main objective must be to press for an apology and compensation by the Soviet Union and to secure changes in Soviet regulations and practices which would prevent any recurrence of the incident.

The Cabinet -

1. Invited the Foreign and Commonwealth Secretary, in consultation with the Secretary of State for Transport, to pursue the action being taken in ICAO and elsewhere with a view to the objective defined by the Prime Minister.

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had just completed an official visit to Hungary which had been arranged before the General Election. Hungary had made remarkable economic progress, and Hungarian Ministers had been refreshingly frank in acknowledging to him the important contribution which market forces, competition

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and liberalisation had made to this result. They believed that Mr Andropov, who had himself served in Hungary, would not overlook the lessons of the Hungarian experience for the Soviet economy. On foreign affairs they had stuck closely to the Soviet line, but he had been able to put the Western case across to them on a number of major issues including disarmament and the Korean airliner. The state of play on the proposal for a trade agreement between Hungary and the European Community was due to be considered further at the next meeting of the Community Council of Ministers, but it would be difficult to find ways of admitting Hungarian products into the Community without damage to the industrial interests of the member countries.

Lebanon

Previous Reference: CC(83) 26th Conclusions, Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the military situation in the Lebanon had not changed significantly since the various militias had moved to occupy ground vacated by the Israelis. The Lebanese Army was holding up better than expected and had not been dislodged from a number of vital positions around Beirut. Intensive attempts were being made at mediation in which Saudi Arabia was now participating, and President Reagan's Special Representative, Mr McFarlane, was working hard to find the basis for a cease-fire. The Minister of State, Foreign and Commonwealth Office, Mr Luce, was due back later that day from a visit to Beirut, and his report would be very relevant to decisions about the future of the British element in the Multinational Force (MNF) - the only contingent of the Force which had not so far sustained casualties. A squadron of Buccaneer aircraft had been sent to Akrotiri to provide the British contingent with air cover. The United States and France both had aircraft carriers off the Lebanon and the Italians also had a naval force there which they had asked should be allowed to use British facilities at Akrotiri. He was considering with the Secretary of State for Defence how to respond to this request.

THE SECRETARY OF STATE FOR DEFENCE said it was clear from his recent talks in Washington with the United States Secretary of State, Mr Shultz, and the Secretary for Defense, Mr Weinberger, that the United States Administration saw no way of disengaging from the Lebanon without unacceptable damage to American prestige and policies. At the same time they saw themselves as being on a slippery slope and were pessimistic about the prospects for a solution. The Rules of Engagement for the American component of the MNF had already been widened, and there was a real risk of the United States being drawn militarily into a Lebanese civil war. Opinion in Congress and the Senate might be pushing them in this direction against military advice. Meanwhile there was evidence of involvement by the Libyans and by the Palestine Liberation Organisation in support of the Druzes, and this might lead Israel to reconsider its partial withdrawal.

THE PRIME MINISTER, summing up the discussion, noted that the Italian Government's request for the use of British facilities in Akrotiri in the Sovereign Base Areas presented serious political and practical difficulties. British public opinion would find it

difficult to see the justification for allowing British forces to suffer casualties unless their presence was seen to be serving a clearly defined and acceptable purpose. Western forces could not allow themselves to become a buffer between Israel and Syria. At the same time, there was an evident risk that withdrawal could precipitate the fall of the Lebanese Government and might seriously damage relations with the United States. It would be necessary to review the situation carefully in the light of Mr Luce's report and to continue to keep in close touch with the United States Government.

Zimbabwe

Previous Reference: CC(83) 26th Conclusions, Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that three of the seven white Air Force officers detained in Zimbabwe after acquittal had now been released. Every effort was being made to secure the release of the remainder, but it was clear from contacts with the Prime Minister of Zimbabwe, Mr Mugabe, that he and his government were angered by the hostile reaction of the British media as well as professing to entertain genuine doubts about the innocence of the officers concerned. It also had to be borne in mind that detention after acquittal happened elsewhere in Africa and was not unknown in the United Kingdom. There was understandably strong pressure from within the Conservative Party for action to secure the officers' release, but it was likely to be some time before this could be achieved.

The Cabinet -

2. Took note.

COMMUNITY AFFAIRS  
Political Co-operation

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Greek chairmanship of the informal meeting of Foreign Ministers on 12 September had been very unsatisfactory. All member states other than Greece had been determined that there should be a statement condemning the Soviet Union over the shooting down of the Korean airliner. The chairman, Mr Haralambopoulos, had at first refused to make any statement on the Community's behalf and had been brought to agree only with reluctance to a much less forthright text than other members of the meeting would have wished to see. Mr Haralambopoulos had also insisted on raising the question of missile deployment. Although all other member states did not consider this appropriate and did not wish any public statement to be made, Mr Haralambopoulos had referred to the Greek view on missile deployment in briefing the press. This meeting had been a setback for political co-operation.

Community  
Budget and  
United Kingdom  
Refunds

Previous  
Reference:  
CC(83) 26th  
Conclusions,  
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY reported that the Special Council of Ministers, at which he had been accompanied by the Chancellor of the Exchequer and the Minister of Agriculture, Fisheries and Food, had met on 30 August. All member states were still setting out their positions. A series of discussions were continuing on the budgetary safety net and the strict financial guideline for agricultural expenditure, and the United Kingdom had now also tabled a paper on other policies. We were also pressing for the full extra refund due under the 1982 risk-sharing agreement.

Finance

THE CHANCELLOR OF THE EXCHEQUER reported that at the informal meeting of Economic and Finance Ministers on 10/11 September it had been agreed to nominate the Belgian Finance Minister, Mr de Clercq, as chairman of the International Monetary Fund's Interim Committee. There had been no support for French ideas for starting discussion of a fundamental revision of international monetary arrangements. In private discussion the French Finance Minister, Monsieur Delors, had explained the growth of protectionist pressures and the questioning of Community membership in France and the consequent need for a result at the Athens European Council which could be presented as satisfactory for France.

The Cabinet -

Took note.

ELECTORAL  
ABUSE IN  
NORTHERN  
IRELAND

3. The Cabinet considered a memorandum by the Lord President of the Council (C(83) 29) on electoral abuse in Northern Ireland.

THE LORD PRESIDENT OF THE COUNCIL said that the increasing use of personation (stealing a vote by pretending to be a person on the electoral register and other electoral malpractices) by Provisional Sinn Fein in Northern Ireland was reaching dangerous levels. The Secretary of State for Northern Ireland had put proposals to the Home and Social Affairs Committee for early legislation to introduce measures aimed at making such abuses more difficult, including provision for identification to be required before voting took place and the indelible marking of thumbs to prevent voting more than once. The Committee had recognised that this was a difficult problem but had been unable to agree that these proposals were the best answer to it or that early legislation was required. They also noted that the Home Secretary was under pressure to legislate on other electoral matters (votes for holiday makers and Britons living abroad), and thought that the Secretary of State for Northern Ireland's request should be viewed in this context. For his own part, the Lord President thought that legislation against electoral abuse in Northern Ireland was necessary but that it should not be introduced in the present session, which was already crowded. He saw advantage in legislating on both electoral issues in the 1984/85 session, but having two Bills, so that the Northern Irish measure could proceed quickly.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the security forces had recently had considerable success against the Provisional Irish Republican Army. Provisional Sinn Fein, which had many of the same leaders, was increasingly concentrating its efforts on the political process. At the recent General Election they had used intimidation and personation on a large scale - probably 25 per cent of their vote had been personated. If, by such means, they could secure more than 50 per cent of the nationalist vote - a possibility which could not be excluded - they would be in a position to destroy the credentials of the Social Democratic and Labour Party (SDLP) and to claim that they were the true representatives of the nationalist minority in Northern Ireland. This could have very destabilising consequences on both sides of the border. Both the SDLP and the Alliance Party had asked for the electoral law to be tightened up. He still believed that action must be taken quickly, but now thought that he had been mistaken to propose marking of thumbs as well as proof of identity. The former would be very strongly opposed by the civil liberties lobby, and he was not yet satisfied on the modalities of its operation. He was advised that the identity provision on its own might reduce personation to something like 5 per cent. He therefore proposed legislation on that basis alone as soon as possible, in order to have the new provisions in force for the European elections in June 1984. He would like to sound out the other parties in Parliament with a view to securing rapid progress with such a Bill. If such agreement was not forthcoming he would accept that legislation could not be introduced until the following session. But even in that case he felt that it would need to be separate from any Home Office legislation.

The following points were made in discussion -

(a) Mr Enoch Powell MP had told the Prime Minister that the Government had undertaken that the next election for the European Parliament should be on the same basis throughout the United Kingdom. He assumed that this meant that the single transferable vote system (STV) would not be used in Northern Ireland for that election. This would require legislation. Members of the Cabinet could recall no such undertaking. The Boundary Commissions were considering a realignment of European constituencies with new ward boundaries in Great Britain, but this would not affect Northern Ireland for the European election, because it was a single constituency for that purpose.

(b) There was considerable pressure for legislation on electoral matters for the United Kingdom as a whole as a result of the recommendations of the Select Committee on Home Affairs. These matters were to be discussed at the Party conference. If there were to be earlier legislation on electoral abuse in Northern Ireland, it would be important that a clear statement should be made of the Government's intention to legislate on other electoral matters in Great Britain. So far Ministers had argued that there was no time in the present session for electoral legislation, but it would be difficult to maintain this view if legislation for Northern Ireland was introduced.

(c) Legislation for Northern Ireland did not sit well with the sort of legislation for the United Kingdom which the Home Secretary might introduce. Two Bills would be preferable, and there was a case for their being distanced, and dealt with in separate sessions.

(d) The urgency of the Northern Ireland legislation arose from the date of the European elections and the possibility that Mr John Hume, the leader of the SDLP, would not otherwise secure re-election. Conceivably, this would occur anyway, because of the way in which the STV could operate. Other measures to reduce malpractice could possibly be explored, for example a requirement to show a National Insurance number on the electoral registration form.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the degree of personation and other electoral abuse by the Provisional Sinn Fein in the recent General Election was completely unacceptable and that action must be taken. There could, however, be no guarantee that even the Bill now proposed by the Secretary of State for Northern Ireland would have a quick passage through Parliament, even if the Party managers were prepared to agree it. The Cabinet therefore agreed that a separate Bill should be introduced at the beginning of the 1984/85 session. This would give more time for further thought about the most effective counter-measures, and could be in force in time for the local government elections in 1985. The Home Secretary should consult colleagues further on what should be said at the forthcoming Conservative Party Conference about the timing of legislation on electoral reform generally in response to the recommendations of the Select Committee on Home Affairs.

The Cabinet -

1. Invited the Secretary of State for Northern Ireland to consider further the most effective counter-measures to personation and to prepare legislation for introduction at the beginning of the 1984/85 session.
2. Invited the Home Secretary to consider further, in consultation with the Prime Minister, the Lord President and the Chief Whip, on what could be said publicly at the forthcoming Conservative Party Conference about the timing of his proposed legislation on electoral reform.

PUBLIC SECTOR  
PENSIONS

Previous  
Reference:  
CC(82) 31st  
Conclusions,  
Minute 4

4. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(83) 30) on public sector pensions.

THE CHANCELLOR OF THE EXCHEQUER said that the Government's Election Manifesto had stated that public sector pensions would continue to be protected against rising prices on the basis of realistic contributions. Considerable progress had already been made in this direction: the notional or actual pension contributions paid by policemen, firemen, members of the Armed Forces, and Members of Parliament had been raised. It was now necessary to consider how to apply the policy to other groups. His proposals were as follows:

- (a) The financing arrangements of public service pension schemes should be reformed to bring out more clearly the total costs of the benefits provided and how they were split between employer and employee. Making the Principal Civil Service Pension Scheme (PCSPS) contributory was an essential element here.
- (b) All public service pension schemes should be reviewed to settle and introduce appropriate realistic contribution rates.
- (c) The Government should start from 8 per cent (the current amount deemed to be paid by civil servants) as the 'realistic' contribution rate for schemes providing normal accrual of benefits. This would entail increases in the pension contributions of several large groups of public servants, such as school teachers, staff of the National Health Service, and manual and white collar workers in local government.

In principle, increases in employees' pension contributions would produce significant savings in public expenditure; how large these were in practice would depend on the particular arrangements that could be negotiated in individual services, and the effects on pay negotiations. His proposals related only to public service pension schemes over which the Government had direct control. The Government did not have such control over the terms of nationalised industry pension schemes. It would be necessary to consider how the nationalised industries might be brought to follow the lead of the public services.

If the Cabinet agreed with these proposals, officials should be instructed to prepare a detailed programme of action and to report back to Ministers with specific proposals. Treasury officials should co-ordinate this work. When Parliament returned, the Government should announce its intention to proceed as proposed in C(83) 30.

In discussion the following main points were made -

- (a) There was general agreement that it was necessary to tackle the problem of public service benefits and contributions. But some members of the Cabinet argued that a more fundamental

review was necessary than that contemplated in C(83) 30. The private sector was increasingly coming to doubt whether it was right to base normal pension provision on an annual accrual rate as high as 1/60th of final salary; but private sector schemes would not be able to reduce their rates of accrual of benefit unless the public sector gave a lead. The option of reducing public service pension benefits should be considered by Ministers before officials were instructed to undertake detailed work. On the other hand, it was argued that in previous discussions the Cabinet had taken the view, reflected in the Government's Election Manifesto, that it was right to approach the problem, at least in the first instance, by seeking to secure adequate employee contributions rather than by reducing benefits.

(b) The suggestion that the PCSPS should be made contributory raised particular problems. Members of the Civil Service and the Diplomatic Service were deemed to make a total pension contribution of 8 per cent, and this was taken into account in determining their rates of salary. If they were required in future to make actual contributions of a similar amount, they would expect to see their salaries correspondingly increased. Not only would this raise the base on which pension benefits were calculated but it would also affect pay-related allowances and overtime rates. Arrangements to avoid adverse financial effects from these changes would be complicated and hard to negotiate. It was open to doubt whether the advantages of making the PCSPS contributory for all benefits would outweigh the resulting problems.

(c) Some public service pension schemes would not be able to make changes of the sort envisaged in C(83) 30 without primary legislation. This had implications for the timescale on which changes could be made.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet broadly approved the principles set out in paragraph 3 of C(83) 30. In particular, it was clearly necessary to bring public service pension benefits and contributions into better balance than was now generally the case; and an employee contribution rate of the order of 8 per cent seemed reasonable, especially in the light of the recent increase in the pension contributions paid by Members of Parliament. The Cabinet were not, however, persuaded that it would be right to make the PCSPS contributory. They also needed to consider in more detail how the approach which they favoured in principle for other public service pension schemes could be put into practice, and it would not be right to make any announcement of the Government's intentions until this had been done. In this consideration the scope for adjustment in benefits need not be entirely ruled out, but the Government's decision on broad policy, reflected in the Manifesto, to proceed by seeking realistic contributions should be kept in mind. The Chancellor of the Exchequer should now arrange for officials to undertake further work as a basis for consideration by Ministers.

This should discuss the detailed technical, negotiating and legislative implications of bringing employees' pension contributions and benefits more into line in the main public service pension schemes, other than the PCSPS. Similar detailed work should be done on the implications of making the PCSPS contributory. Finally work should be done on how nationalised industries could best be required or encouraged to adopt a similar policy to that eventually decided for the public services. Meanwhile any convenient opportunities which presented themselves for adjusting employees' pension contributions in the public services should continue to be pursued.

The Cabinet -

1. Invited the Chancellor of the Exchequer to arrange for officials to undertake the work outlined by the Prime Minister in her summing up.

2. Took note that the Prime Minister would arrange for further consideration by Ministers of the whole range of issues, once the results of the detailed work by officials were available.

5. The Cabinet considered a note by the Chief Secretary, Treasury (C(83) 31) on public service pay and public expenditure.

THE CHIEF SECRETARY, TREASURY said that before finalising public expenditure plans for 1984-85 it was necessary to decide how to deal with public service pay. The Government's decision would be taken as a signal of its intentions for the next pay round. For 1983-84 a figure of 3½ per cent had been used. He proposed that the figure for 1984-85 should be 3 per cent. A lower figure than 3 per cent would point more strongly to a reduction in the level of pay settlements, but in the light of current expectations about inflation it would risk being neither credible nor sustainable. If it could not be sustained, its value as a constraining influence on expenditure plans would be much weakened. A higher figure, on the other hand, would be taken as implying that the Government expected a level of pay settlements much the same as in the previous pay round. The assumption would determine the provision in the aggregate pay Bill for 1984-85 and later years for increases in pay rates and allowances deriving from settlements up to March 1985. It would apply to the provision for pay for all public service groups, including the Armed Forces and the National Health Service, and to the universities and other expenditure treated in a similar way last year, but not to the local authorities or the nationalised industries. If the Cabinet approved his proposals, the Public Expenditure Survey baseline for proposals containing public service pay (other than local authorities) would be reduced appropriately. This would produce savings of about £400 million a year. The Government's decision would need to be disseminated widely for operational reasons and would become public knowledge. It should therefore be announced

PUBLIC SERVICE  
PAY AND  
PUBLIC  
EXPENDITURE  
IN 1984-85

Previous  
Reference:  
CC(83) 24th  
Conclusions,  
Minute 5

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immediately. It should be presented, not as a decision determining any individual pay settlement, but as the provision in the Government's cash plans. Settlements higher than 3 per cent were not ruled out; but there would be a presumption that the additional costs of such settlements would be found within existing provisions. Recourse to the contingency reserve was not excluded; but there was no presumption that it would be allowed.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet approved the proposals in C(83) 31. There were disadvantages in setting an explicit pay assumption; and in some circumstances, for example if it proved possible to move away from widespread annual pay settlements, it might be desirable to dispense with such an assumption. But in present circumstances it was right to set an explicit assumption, and at a level calculated to influence the private sector by showing the Government's determination to contain public service pay settlements. The Government's decision should be announced later that day on the lines proposed by the Chief Secretary, Treasury; it would be desirable also to bring out that higher pay increases would lead to lower employment. It could be pointed out that the pay assumption of 3 per cent was consistent with announcements that had already been made about provision for local authority current expenditure in 1984-85. Several Departments would find it hard to accommodate pay increases significantly higher than 3 per cent in their expenditure programmes; pay negotiators would need to take full account of this fact.

The Cabinet -

Approved the proposals in C(83) 31.

Cabinet Office

15 September 1983

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