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CABINET

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

THURSDAY 1 MARCH 1984

at 9.45 am

P R E S E N T

The Rt Hon Margaret Thatcher MP  
Prime Minister

The Rt Hon Lord Hailsham  
Lord Chancellor

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

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

The Rt Hon Peter Walker MP  
Secretary of State for Energy

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 Norman Fowler MP  
Secretary of State for Social Services

The Rt Hon Lord Cockfield  
Chancellor of the Duchy of Lancaster

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

The Rt Hon Nicholas Ridley MP  
Secretary of State for Transport

THE FOLLOWING WERE ALSO PRESENT

Mr John Gummer MP  
Minister of State, Department of Employment

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SECRETARIAT

Mr P L Gregson  
 Mr D F Williamson (Items 2 and 3)  
 Mr C J S Brearley (Items 1, 4 and 5)  
 Mr D E J Jago (Items 2 and 3)  
 Mr R Watson (Items 1, 4 and 5)

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

THE FOREIGN AND COMMONWEALTH SECRETARY reported that fighting had continued on land in the southern and central sectors. This action appeared to have followed the familiar pattern of some penetration being achieved by the Iranians which in turn had been held in check by the Iraqi forces. A major Iranian offensive was expected within days. Claims by both sides had been exaggerated. There was no evidence that the reported attack on Kharg Island had taken place; no British ships were there at present. A United States destroyer, patrolling in the north Arabian Sea, had fired warning shots and flares when approached by an Iranian surveillance aircraft. This was in accordance with standing American instructions that aircraft and ships should remain at a distance of at least five miles from their naval forces. Meanwhile, action was being taken to encourage every possible realistic effort at mediation. This included the possible resumption of the United Nations Secretary General's Special Representative's mission. The United Kingdom was keeping in close touch with the Americans on contingency planning and Sir John Leaby (Deputy Under Secretary of State, Foreign and Commonwealth Office) had been in the United States during the previous week for this purpose.

THE FOREIGN AND COMMONWEALTH SECRETARY said that Saudi peace efforts were continuing but no effective ceasefire had yet been established in Beirut. The United Nations Security Council had met to consider the French proposal for a new United Nations Force in the Lebanon to replace the Multinational Force. It was not clear whether sufficient troop contributions could be found, but in any case the Soviet Union had vetoed the proposal, contending that it did not meet their requirement for a complete withdrawal of United States forces.

THE SECRETARY OF STATE FOR DEFENCE said that the number of troops on board the Royal Fleet Auxiliary Reliant had been slightly reduced. The Foreign and Commonwealth Secretary would be consulting him about the possibility of putting the whole British contingent ashore in Cyprus, given its proximity to the Lebanon.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the release of the seven British mercenary prisoners in Angola was the result of lengthy Ministerial pressure. There had been some anxiety, following a delay to the aircraft returning the prisoners, but otherwise the arrangements for their return had gone well. The Angolan Government had been concerned by the interest of the media, but there had been less publicity than had been expected. All possible steps were being taken to secure the release of the 17 British personnel believed to have been taken hostage following

a recent attack by members of the Union for the Total Independence of Angola (UNITA) on the diamond mining town of Cafunfo. The hostages were understood to be on their way to UNITA's southern base, a journey which would take several weeks on foot. Besides publicly deploring this action, the United Kingdom was taking all possible steps with the Red Cross to safeguard the welfare of the hostages and to secure their earliest possible release. The Angolan authorities had given assurances that all necessary measures would be taken to ensure the safety of the hostages and of the remaining British citizens in the area which Her Majesty's Consul had visited. It would be important to maintain the United Kingdom's standard position of not giving in to the demands of hostage-takers and efforts at achieving the release of those concerned might take a considerable time.

The Cabinet -

1. Took note.

THE FOREIGN AND COMMONWEALTH SECRETARY said that over 90 per cent of Government Communications Headquarters (GCHQ) staff had so far agreed to remain with new terms of service. A significant number of responses were still awaited, some from distant out-stations. Following the deadline of midnight on 4 March, any transfers would take some time to arrange and there would be no question of instant dismissal of those who had not returned their forms. It seemed unlikely that the number of refusals would be such as to affect the efficiency of GCHQ.

THE PRIME MINISTER, summing up the discussion, said that it would continue to be important to make it clear publicly that the Government's action had been taken strictly on security grounds and would not be extended outside security and intelligence areas, and also that the Government had not called into question the loyalty of trade union members in general. Attention might be drawn to the evidence given by the former Director of GCHQ, Sir Brian Tovey, to the Select Committee and now published that, following the previous industrial action at the establishment, many GCHQ staff had asked for action along the lines now being taken by the Government. Ministers should be kept closely in touch with the developing situation at GCHQ and in particular should be alerted to any need for the dismissal of staff before such action was announced.

The Cabinet -

2. Invited the Foreign and Commonwealth Secretary to proceed in accordance with the Prime Minister's summing up.

Government  
Communications  
Headquarters

Previous  
Reference:  
CC(84) 3rd  
Conclusions,  
Minute 2

COMMUNITY  
AFFAIRS  
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Community  
Budget and  
United  
Kingdom  
Refunds  
Previous  
Reference:  
CC(84) 7th  
Conclusions,  
Minute 3

3. THE PRIME MINISTER said that, in her discussion with the German Chancellor, Herr Kohl, on 28 February she had made quite clear that the United Kingdom would not agree to a change in the level of the Community's own resources; which would be permanent, unless there were an equally permanent change in the system to correct the budget inequity. On the size of an increase in the Community's own resources, the German Chancellor remained in favour of a maximum rate of Value Added Tax not higher than 1.4 per cent, which the United Kingdom could accept if its other conditions were met. She had noted with dissatisfaction that the Commission, with the reported agreement of the British Commissioner responsible for the Community budget, and some other member states were now arguing for an unrealistically high increase. The German Chancellor had informed her that the French and Germans were likely to agree that a super-levy should apply to milk production in excess of 97.2 million tonnes but that this figure would be phased in over two years. He had also indicated that he had presented to the French President, Monsieur Mitterrand, a revised proposal for solving the disagreement on monetary compensatory amounts in the agricultural sector. This apparently involved the removal of five points of the German positive monetary compensatory amount with compensation of about 2,000 million deutschmarks to German farmers from German national funds. A further three points would be removed by an adjustment of the green rates resulting in the creation of negative monetary compensatory amounts for certain other member states. She had made clear that this question was not simply bilateral. The United Kingdom also had an interest in the consequences of such adjustments.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the recent meeting between the Prime Minister and the German Chancellor, and his own meetings with the French Minister responsible for European Affairs, Monsieur Dumas, confirmed that the French were working for an agreement at the European Council in March on the main issues in the negotiation launched at the European Council in Stuttgart. It was important, however, not to raise expectations. If an agreement could not be reached, the French would certainly try to show that the United Kingdom had been isolated. On the control of Community spending, there was now a prospect that a firm position taken by the United Kingdom, France and Germany together would give an acceptable result. On the correction of the budget inequity, there was some move within the Community towards a system of correction on lines which might be satisfactory. There was, however, a substantial disagreement on the scale of the correction necessary. The agricultural negotiations continued to present difficulty, although there now seemed to be a majority in the Community for applying a super-levy on milk in excess of 97.2 million tonnes and reaching this point in two steps. There was no way of solving the agricultural problems which would be painless for farmers, including United Kingdom farmers. It was important that this should be understood both in the House of Commons and elsewhere. On new policies some more action should be carried forward in meetings of the Council of Ministers which had been requested

to deal with the internal market and, if possible, transport. In discussion it was pointed out that an understanding with the French remained crucial to a successful negotiation and that the problem did seem now to be concentrated on the figures which would result from a system for correcting the budget imbalance. The United Kingdom should also keep under close scrutiny any arrangement on monetary compensatory amounts which might be accepted by France and Germany, because of the possible consequences for the cost of the common agricultural policy.

Agriculture

Previous  
Reference:  
CC(84) 5th  
Conclusions,  
Minute 4

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that the Council of Ministers (Agriculture) at its meeting on 27-28 February had had a full discussion of the 1984 price proposals and the other measures for reforming the operation of the common agricultural policy. The discussion on the proposed super-levy on milk had been constructive and would probably have made more progress if the Chairman, Monsieur Rocard, had allowed it to develop. There was still no agreement on monetary compensatory amounts. There had, however, been an agreement on structural measures. The existing directives had been renewed for a further period but there would be no new capital grants in the dairy sector. This renewal fully justified the Government's earlier decision to make payments, including those to hill farmers, in the interim. There had also been a useful agreement at the Council of Ministers (Agriculture) to the extension of the less favoured areas in the United Kingdom. This would allow the payment of grants to about 28,000 farmers who had not been eligible hitherto and would be well received by the United Kingdom agricultural industry. On imports of New Zealand butter there had been an agreement on a roll-over for another month. The Irish had continued to block the longer term proposal. It was not helpful to the United Kingdom position in these negotiations that the New Zealand Prime Minister, Mr Muldoon, had now indicated to other member states that New Zealand could accept a figure of 83,000 tonnes when the United Kingdom had been arguing for a higher figure. In discussion it was questioned whether the extension of the less favoured areas might lead to further environmental pressures as a result, for example, of the ploughing up of moorland. It was argued, however, that this measure was not likely to produce such problems.

Community  
Support for  
Research and  
Development  
in  
Information  
Technology  
(ESPRIT)

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that agreement had been reached in the Council of Ministers (Research) on 28 February to launch the Community's programme on research and development in information technology (the ESPRIT programme)

The Cabinet -

Took note.

4. THE SECRETARY OF STATE FOR EMPLOYMENT said that the February unemployment figures, to be published later that morning, showed a fall of 13,000 in the unadjusted total but an increase of 29,000 in the seasonally adjusted figure. These figures were disappointing after the levelling out in adult unemployment during the second half of 1983 and he proposed to issue a statement saying so. He would emphasise the difficulty of drawing any firm conclusions at present about any change in the trend of unemployment particularly as the economy continued to improve: output was up, consumers expenditure and investment had been growing, business optimism was higher than for many years and the latest employment figures available showed an increase in the numbers in work.

In discussion the following main points were made -

a. While the net change in unemployment was only 13,000, over 340,000 people had left unemployment during the month. This rate of turnover was encouraging. Furthermore, the United Kingdom had a higher proportion of its labour force in work than France, Belgium or the Netherlands and about the same proportion as West Germany though not so great a proportion as Denmark.

b. The latest employment figures were also encouraging but should be used with caution. Notwithstanding its much brighter outlook, the latest Confederation of British Industry (CBI) survey of manufacturing industry still showed a majority of respondents expecting to employ fewer staff in the survey period. The employment figures were also sensitive to estimates of the self-employed which might be overstated. Against this, a cautious approach had been adopted in calculating the numbers of self-employed and it was unlikely to be over-optimistic, while the CBI survey did not cover many of those parts of the economy where recovery was best established.

c. There was very imperfect understanding of the longer-term implications for employment of such factors as the development of new technologies. The rundown of employment in manufacturing industry was likely to go on throughout the decade. For demographic reasons the labour force would rise until 1989 and against this background it would be necessary to achieve economic growth in excess of 3 per cent per annum to reduce unemployment. Productivity in manufacturing industry was rising sharply and needed to go on doing so if our international competitiveness was to improve further.

d. It might be wrong, however, to conclude that jobs in the future would necessarily require higher levels of skill. The evidence from the United States was of substantial growth in semi-skilled jobs in service industries though this was against a background of falling real wages and a tradition of enterprise. To foster similar developments here, it was important to get over the need to restrain firmly the rise in real wages and to take further steps to remove obstacles to free markets in the service sector. Further action should also be taken on obstacles to employment such as taxation.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed with the lines of the statement the Secretary of State for Employment proposed to issue that day on the February unemployment figures. The figures were disappointing when set against those for the last months of 1983 and other economic indicators. It would be useful to look in more depth at future employment prospects and the scope for Government action to improve them, in the light of the points made in the discussion. She would consider further with the Secretary of State for Employment how this might best be done.

The Cabinet -

Took note.

5. The Cabinet considered memoranda by the Lord President of the Council (C(84) 8 and C(84) 9) about the legislative programme for 1984-85 proposed by The Queen's Speeches and Future Legislation Committee (QL).

THE LORD PRESIDENT OF THE COUNCIL said that QL had considered a total of 74 bids for legislation for the following Session. This was a large number from a Government dedicated to less legislation. In examining the possible programme, QL had taken account of four factors: size, balance, practicality and political content. As a result of their discussions they had reduced the programme to the 31 Bills listed in Annexes A and C of C(84) 8. In addition to these 31 Bills, there were the 11 contingent Bills in Annex B of C(84) 8 and an unknown number of new demands for legislation would undoubtedly occur during the Session. Furthermore, the major Bill in next Session's programme would be that to abolish the Greater London Council and the Metropolitan County Councils which would inevitably take a great deal of time and be very contentious. Against this background, QL had considered that a total programme of 31 Bills was appropriate. QL had concluded that the programme should contain a privatisation measure but were undecided between the Bill to privatise the National Gas Company and one to privatise the Gas Industry. Gas was more attractive in political terms but was likely to be ready later. It was right to



include both local government and privatisation legislation but QL foresaw substantial problems during the Session from these and other major pieces of legislation which were not only complex in themselves, but were also attacking established institutions. The response to these attacks would undoubtedly be fierce and sustained. It was therefore particularly necessary to ensure that Bills of this kind were ready for introduction at the beginning of the Session. Although it was possible to make the legislative system go faster and cope with more material, the price that had to be paid was poor legislation, vulnerable to criticism, which had to be amended subsequently. In order to ease some of the problems involved with large and contentious Bills he suggested to colleagues that they should formally give a place now to certain Bills in the 1985-86 legislative programme. This would enable work to continue in Departments in the knowledge that it would come to fruition and enable Parliamentary Counsel to begin drafting in January 1985.

THE LORD PRIVY SEAL said that the size of the programme proposed by QL was consistent with that in previous Sessions and that, if there were to be additions, they must be matched by equivalent deletions. In addition, it was absolutely necessary to maintain the timetables which had been laid down. The difficulties now being encountered with the Telecommunications Bill in the House of Lords were an example of what could happen when legislation had to be rushed through the House of Commons under a guillotine.

In discussion the following main points were made -

- a. It was absolutely essential to maintain room in the legislative programme for contingencies. In addition to those in the list in Annex B of which the Communications and Australia Bills might be expected to be required, additional legislation might be needed on other subjects, such as Hong Kong.
- b. It was necessary, in the second Session of a Parliament, to maintain the impetus of major Government policies. The proposed programme contained too much technical legislation and not enough main stream political Bills. The economic Bills in particular required to be in place early in a Parliament in order to have had effect well before the next General Election.
- c. It was essential for the efficient management of the legislative programme to ensure that most Bills were ready at the beginning of the Session, so that two weeks of Second Readings could take place immediately after The Queen's Speech. Any lengthy spill-over in this Session would damage the chances of an early Queen's Speech and a good start to the next Session.

d. It was necessary to have a further privatisation measure in the programme. QL had suggested either Gas or Public Transport, but there were strong arguments for including both, even at the cost of dropping another less important Bill. Insolvency, Prosecutions, Pollution (Protection of Food and the Marine Environment), Trustee Savings Bank and Nationalised Industries were examples of Bills that might be dropped.

e. There were strong arguments for including Insolvency in the programme for 1984-85. The state of the law was defective, the report of the Cork Committee had been published for some time and the effect of the proposals on creditors would be beneficial to small firms. Similarly, there were strong reasons for including Pollution (Protection of Food and the Marine Environment). There had already been two incidents this year (at Sellafield and the loss of chemicals from a Danish ship in the North Sea) which could have resulted in circumstances for which the powers in this Bill would be necessary. The Trustee Savings Bank Bill was substantially a privatisation measure and would in addition comply with a European Community Directive. The Nationalised Industries Bill would also assist privatisation as well as control of nationalised industries generally. The Prosecutions Bill was seen as a *quid pro quo* for some of the powers in the Police and Criminal Evidence Bill; the Government's credit would be seriously damaged if it was not enacted next Session. In addition its absence would lead to difficulties in the prosecution services in the metropolitan counties after they had been abolished.

f. There was a strong case for including a Films Bill in the programme. The Eady Levy, which was currently used to finance the film industry, would stop at the end of 1985. Without it, a number of film industry quangos would be largely without purpose but could not be dissolved without legislation. Considerable work had been done to secure private sources of finance for the film industry in conjunction with the abolition of the Eady Levy and the quangos.

g. There was also a strong case for the inclusion of a Rents Bill. Although the policy options had not yet been discussed by colleagues, it was hoped that such a Bill could include a substantial measure of deregulation in the private rented housing sector. This would improve mobility of labour. The Labour Party would inevitably promise to repeal such a measure and it was consequently important that such a Bill should be able to demonstrate its effect before the General Election. On the other hand, this would be a large and complex Bill, on which a great deal of policy work needed to be done and which could not possibly be ready in time for the start of the next Session.

h. The small Civil Aviation Bill which was in the essential category could possibly be combined with the Public Transport Bill. The contingent Bill on Doorstep Selling could probably be replaced by secondary legislation.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet were agreed that the programme needed a higher content of Bills to carry forward the Government's major policy objectives. It should therefore include both the Gas privatisation and Public Transport Bills. It was also desirable to include a Films Bill. The overall size of the programme should not, however, be significantly increased. The Secretary of State for Transport had offered to combine his essential Civil Aviation Bill and his Public Transport Bill. The Cabinet also agreed that the Trustee Savings Bank Bill should not be given a place in next Session's programme. It was further agreed that places should be given in the 1985-86 legislative programme to Bills on Trustee Savings Banks and Rents. It would be essential to start the new Session of Parliament as soon as possible, preferably before the end of October, and every attempt should be made to plan the current Session to achieve that objective. Ministers with Bills in the programme should make every effort to achieve or improve on the timetables for their legislation as set out in C(84) 9.

The Cabinet -

1. Approved the legislative programme for 1984-85 as set out in the Annexes to C(84) 8, subject to the points made by the Prime Minister in her summing up.
2. Agreed that a firm place in the 1985-86 Session should be given to a Trustee Savings Bank Bill and a Rents Bill.
3. Invited The Queen's Speech and Future Legislation Committee to select a further two Bills for a firm place in the 1985-86 Session.

Cabinet Office

1 March 1984