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CABINET

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

THURSDAY 8 MARCH 1984

at 10.00 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 Michael Heseltine MP
Secretary of State for Defence

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon John Biffen MP
Lord Privy Seal

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry

The Rt Hon Tom King MP
Secretary of State for Employment

The Rt Hon Peter Rees QC MP
Chief Secretary, Treasury

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

Mr John Gummer MP
Minister of State, Department of Employment

The Rt Hon Alick Buchanan-Smith MP
Minister of State, Department of Energy

SECRETARIAT

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

Coal Industry
Pit Closures

THE MINISTER OF STATE, DEPARTMENT OF ENERGY, said that the National Coal Board (NCB) had held a meeting earlier in the week with the National Union of Mineworkers (NUM) to discuss the prospects for pit closures. Subsequently an Order had been laid in Parliament providing improved redundancy terms for miners; those under 50 years of age would be able to receive £1,000 for each year of service. The NUM Executive was meeting on 8 March to discuss the situation against the background of widespread strikes in Scotland and Yorkshire. The South Wales miners were meeting the following day to determine their course of action. There had been some words of caution from the Nottinghamshire miners' leader, but the position there and in other parts of the country was far from clear. It was possible that industrial action could become widespread, although NUM leadership seemed likely to want to avoid a pit-head ballot on the issue of a strike.

THE PRIME MINISTER, summing up a brief discussion, said that the position was substantially different to that in 1981 when serious trouble had last been threatened as a result of proposals to close pits. The Chairman of the NCB should be allowed to handle the matter as he thought best. Chief Constables had been alerted to the possibility of violence and flying pickets. She would arrange for a small group of Ministers to monitor developments.

The Cabinet -

Took note.

Defence

The Cabinet considered certain issues raised by the Secretary of State for Defence. The Cabinet's discussion is recorded separately.

2. THE PRIME MINISTER said that the report of the Dublin "Forum for a New Ireland", to which it would be necessary for the Government to make a considered response, was not now expected to be published before April.

The Cabinet -

Took note.

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that Iran was preparing a further offensive against Iraq which was expected within the next few days. Efforts to promote mediation at the United Nations continued with little prospect of success. Iran's request for a United Nations investigation into the use of chemical weapons by Iraq was due to be considered at an informal meeting of the United Nations Security Council that day. The United Kingdom would support the request and was taking vigorous action in Tehran and elsewhere to rebut Iranian allegations, which were without foundation, that chemical weapons had been supplied to Iraq by the United Kingdom. A British registered merchant ship had been severely damaged and abandoned as a result of an Iraqi air attack near the port of Bandar Khomeini, in which ships of other countries had also been damaged. None of the crew had been seriously injured and the owners had neither notified the Government nor asked for official help. The Foreign and Commonwealth Office was urgently seeking fuller information from Baghdad and Tehran, and was investigating the legal position with a view to a formal protest to the Iraqi Government. He would be considering in consultation with the Lord Privy Seal the desirability of making a statement about the incident in the House of Commons that afternoon.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the reconciliation talks between the parties to the Lebanese dispute were due to resume in Switzerland the following week, following the Lebanese Government's abrogation of the 17 May Agreement. The cease-fire in Beirut was holding better than usual. Following the Soviet Union's veto of the draft French resolution at the United Nations, interest had revived in British ideas for expanding United Nations observer forces in Beirut. It seemed likely that both Israeli and Syrian forces would remain in the Lebanon for the foreseeable future, but the reconciliation talks might result in the formation of a new, more coherent Lebanese Government under Syrian domination.

THE FOREIGN AND COMMONWEALTH SECRETARY said that there was still no clear indication of the whereabouts of the 17 Britons taken hostage by the Union for the Total Independence of Angola (UNITA) on 23 February. There was no confirmation of reports that they had been taken northwards to Zaire and it seemed likely that they were being forced-marched to a UNITA base in southern Angola. Nor was it clear what conditions UNITA would seek to impose for their release. At

the Government's request the International Committee of the Red Cross (ICRC) had met UNITA representatives on 29 February with little result: the ICRC thought release might take from three to six months. Angolan Ministers had been reminded of their assurance that they would do nothing to endanger the lives of the hostages and of the need to ensure the security of the British staff remaining in the area concerned, which had been visited by Her Majesty's Ambassador in Angola on 29 February. Information was also being sought from the authorities in Luanda. Action was being taken through a number of channels to impress on the leader of UNITA, Dr Savimbi, that the United Kingdom did not accede to the demands of hostage-takers and that the action was damaging his own cause. Care had to be taken to avoid becoming involved in negotiation with Dr Savimbi about the release of the hostages or of being drawn into a relationship with him which would attract the hostility of the Angolan Government.

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had discussed the political situation in Gibraltar the previous day with the Chief Minister of Gibraltar, Sir Joshua Hassan. The Opposition Party in Gibraltar, now led by Mr Bossano, was radical socialist in character and likely to be more critical than its predecessors of the Government's handling of the commercialisation of the dockyard. This was proceeding, and Sir Joshua Hassan would be raising with Ministry of Defence Ministers the timing of the release of a number of important waterfront sites from Ministry of Defence ownership. Sir Joshua had also discussed Gibraltar's economic difficulties and the importance of securing the earliest possible removal of the frontier restrictions with Spain. He shared the British Government's view that this might best be achieved in the context of Spain's accession to the European Community, and consideration was being given to the possibility of an arrangement by which Spanish restrictions might be lifted in advance of Spain's accession if both Spain and Gibraltar were to agree to grant reciprocally in advance the rights which they must give each other on the day of accession. This would not include free movement of labour. Spanish companies already enjoyed an unrestricted right to purchase property in Gibraltar. Sir Joshua had also indicated a wish to be present at a future bilateral meeting between the Foreign and Commonwealth Secretary and the Spanish Foreign Minister, Senor Moran.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the British Government had accepted an official invitation from the Salvadorean Government to send two official observers to the Presidential elections in El Salvador on 25 March, although they did not expect the elections to solve the country's problems. The British observers would be Sir James Swaffield, who had recently retired as Director General of the Greater London Council, and Dr David Browning of Oxford University. The decision to send British observers was less controversial than in 1982 when the United Kingdom had been the only member of the European Community to accept the invitation. This time there would also be observers from the Federal Republic of Germany, Belgium and the Netherlands.

The Cabinet -

Took note.

4. THE PRIME MINISTER said that in her discussions with the French President, Monsieur Mitterrand, on 5 March she had again emphasised that the United Kingdom would not agree to any increase in the Community's own resources unless there was a revised and fair method of financing the budget. There had to be a limit on the United Kingdom's net contribution. President Mitterrand had indicated that in his view no other member state would accept that the United Kingdom's net contribution should be reduced to the level she had suggested. He had said that, if there were no agreement, there was a risk that the Community would begin to break up. She had replied that the responsibility for any failure to agree would rest with other member states and that she did not expect the Community to break up.

The Cabinet -

1. Took note.

THE FOREIGN AND COMMONWEALTH SECRETARY said that it was in the United Kingdom's interest that all the regulations implementing the 1983 budget refunds should be agreed, if possible, by the Council of Ministers (Foreign Affairs) on 12 March. This would allow for a conciliation meeting, if required, with the European Parliament on 13 March. It was now clear, however, that the Germans could not get their refunds unless there were also a regulation on aid for coking coal, which was needed as a legal base. The United Kingdom had been linking the proposed regulation on coking coal with other elements in a wider energy package. It was now essential to give up this link and to accept the coking coal proposal, in order to make possible an agreement on all the regulations necessary for the payment of the 1983 budget refunds to Germany and the United Kingdom.

THE MINISTER OF STATE, DEPARTMENT OF ENERGY, recognised that the United Kingdom's 1983 refunds (750 million ecu net) must take priority and that the proposal on coking coal should therefore be accepted. The coking coal regulation would involve a levy payment of just under 1 million ecu a year by the British Steel Corporation to the Community and there was some dispute about similar levy payments which had been made to the Treasury, not to the Community, from 1980. Acceptance of the coking coal proposal, however, would reduce the United Kingdom's negotiating leverage in the energy package. At the least, therefore, an attempt should be made to obtain at the same time an agreement on one other element in the energy package, namely the coal social measures, which would benefit the United Kingdom. The United Kingdom should also continue to stress the need for action on solid fuels, and should seek whatever assurances could be obtained from other member states on this point.

THE PRIME MINISTER, summing up the discussion, said that in view of the priority to be given to obtaining the regulations necessary for the payment of the United Kingdom's 1983 refunds, the United Kingdom should now be ready to accept the proposal on coking coal outside an energy package. At the same time the United Kingdom should try for agreement on the proposed coal social measures.

The Cabinet -

- 2. Invited the Foreign and Commonwealth Secretary to indicate within the Community the United Kingdom's agreement on the proposed regulation on coking coal and to be guided by the Prime Minister's summing up of the discussion in relation to coal social measures.

Possible Request by the Commission for Advance Payment

THE CHANCELLOR OF THE EXCHEQUER said that the Commission was very short of funds and might be seeking an advance from member states. In contacts with Mr Tugendhat, the Commissioner responsible for the budget, the United Kingdom Permanent Representative had been seeking to persuade the Commission not to make a request at this time. If, contrary to the latest information, the Commission did make an early request for an advanced payment, there would be difficulties both of substance and timing. Parliamentary authority would be required.

Agriculture

Previous Reference: CC(84) 8th Conclusions, Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that the meeting of the Council of Ministers (Agriculture) on 5-6 March had consisted almost entirely of bilateral discussions between the Presidency and member states. The Chairman of the Council, Monsieur Rocard, had tried to isolate the questions of milk and monetary compensatory amounts in preparation for the European Council and to leave other issues until later. In response to pressure, however, Monsieur Rocard had now undertaken to produce a document covering the whole agricultural package for discussion at the next meeting of the Council on 11-13 March. This negotiation would be very difficult.

Environment

THE SECRETARY OF STATE FOR THE ENVIRONMENT reported that good results had been achieved at the Council of Ministers (Environment) on 1 March at which the Parliamentary Under Secretary of State, Department of the Environment (Mr Waldegrave), had represented the United Kingdom. A framework directive on the control of air pollution from industrial plants other than food processing plants had been adopted. This entirely accorded with United Kingdom practice. The United Kingdom had also succeeded in reducing funding of a new Regulation on certain environmental measures from 27.5 million ecu to 13 million ecu.

The Cabinet -

- 3. Took note.

5. The Cabinet considered a memorandum by the Secretary of State for Education and Science and the Secretary of State for the Environment (C(84) 10) about education in London. The Cabinet's discussion and the conclusions reached are recorded separately.

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EDUCATION
IN LONDON

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Cabinet Office

8 March 1984

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CABINET

LIMITED CIRCULATION ANNEX

CC(84) 9th Conclusions, Minute 1

Thursday 8 March 1984 at 10.00 am

PARLIAMENTARY
AFFAIRS

Defence

THE SECRETARY OF STATE FOR DEFENCE said that it was now some 20 years since the separate Navy, Army and Air Force departments had been merged into a single Ministry of Defence (MOD). The objectives of the merger had included better control of defence policy, improved allocation of resources and the rationalisation of service administration; and it had been seen at the time as a first step towards further structural rationalisation. But the objectives had not so far been fully achieved, and there had been a tendency for the old separate service structures to survive within the unified MOD framework. This was wasteful of manpower, especially at senior levels, blurred the lines of accountability and made it difficult to get full value for the substantial resources which the Government was devoting to defence. After careful consideration, therefore, and in consultation with the Prime Minister, he had provisionally decided on a reorganisation within the Ministry under which -

- a. The Chief of the Defence Staff (CDS) would be given full authority over the Chiefs of the three fighting services, who would however continue to be responsible for the efficiency and morale of their individual services. The Chiefs of Staff Committee would continue as at present, but its advice to Ministers would be channelled through the CDS, who would be in overall charge.
- b. There would be a single, unified Defence Staff, which would be formed by merging the present single service staffs with the CDS's own staff and would incorporate senior civilian officials from the Permanent Under Secretary of State's organisation so as to produce an agreed overall view on defence policy and operational issues.
- c. Financial control would be centralised in a single office of manpower and budget.
- d. The personnel and logistics functions of the separate services would also be combined into a single organisation.

This reorganisation would in no sense call into question the separate identities of the three fighting services, which he continued to believe were of paramount importance to morale and effectiveness. Nor would it affect the legal position of either the Defence Council or the Service Boards. Its purpose would be to provide an integrated, tri-service framework within which each individual service could be managed more effectively.

The Queen had been informed of the proposals, as had the CDS; but knowledge of them had been confined to the narrowest possible circle and there had as yet been no public speculation about them. It was for the Cabinet to judge whether they should be proceeded with and if so on what timetable. The proposals were bound to attract controversy, and there was an evident danger of leaks occurring if too long an interval elapsed between notifying the proposals to senior staff at the MOD and making them public. It was important that the Chiefs of Staff in particular should be given time to consider the proposals and express their views on them before any public statement was made. He believed that the right course would be for him to inform the Chiefs of Staff and certain senior officials at the MOD of the proposals that afternoon on a strictly personal and confidential basis, with a view to making a statement in the House of Commons on 12 March. The purpose of the statement would be to outline the proposals and stimulate a public debate in the light of which he would aim to bring forward detailed recommendations to Cabinet later in the year.

In discussion there was a general welcome for the proposals, which it was agreed would represent an important further step towards achieving the purposes for which the three service departments had been merged into a single Ministry of Defence. Concern was expressed that the revised administrative structure might work to the disadvantage of the Royal Navy which would continue to be crucial to the effective defence of the United Kingdom. As against this it was thought that the new arrangements would provide a more effective framework than at present for an objective assessment of the United Kingdom's strategic defence interests in which due attention would certainly be paid to naval considerations.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the Secretary of State for Defence's proposals which, if carefully handled, should attract widespread support from informed opinion in the country and would make an important contribution to effective management of the United Kingdom's defence resources. It would be appropriate for the Secretary of State for Defence to inform the Chiefs of Staff and certain senior officials in confidence of the content of his proposals that day, and to make a statement about them in the House of Commons on 12 March. If knowledge of the proposals became public before that date, he should make it clear that he would be making a statement on 12 March, and should take such steps as might be available to him to prevent any discussion of the matter in the meantime from being distorted by biased or one-sided briefing.

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The Cabinet -

Invited the Secretary of State for Defence to proceed in accordance with the Prime Minister's summing up.

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12 March 1984

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CABINET

LIMITED CIRCULATION ANNEX

CC(84) 9th Conclusions, Minute 5

Thursday 8 March 1984 at 10.00 am

The Cabinet considered a memorandum by the Secretary of State for Education and Science and the Secretary of State for the Environment (C(84) 10) on education in London.

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the Inner London Education Authority (ILEA) was a special committee of the Greater London Council (GLC). When the GLC was abolished it would be necessary to make new arrangements for running education in inner London. In its White Paper 'Streamlining the Cities' (Cmd. 9063) the Government had proposed that this should be done through a joint board, composed of representatives of the inner London boroughs and the City of London. He now considered that it would be preferable to run the service through an authority directly elected by the electorate of inner London and issuing its own rate. Such a course was favoured by the great majority of responses to Cmd. 9063. It was supported by a clear majority of the 12 inner London Conservative Members of Parliament and 10 of the 12 boroughs (including Westminster). The accountability of a directly-elected body to the electorate would be beyond question. Though there was no doubt that such a body would be more often than not have a Labour majority committed to excessive expenditure, the existence of a directly elected body would ensure that at such times there was an effective Conservative group on the ILEA, which could formulate and publicise alternative budgets indicating how more realistic spending levels could be achieved. It could be argued that to provide for direct elections to the ILEA would lead to requests for direct elections to the single-service joint boards which would run certain services in metropolitan areas when the relevant county councils had been abolished. But the ILEA would account for far higher volumes of expenditure than, and would be readily distinguishable from, those bodies. Secondly it could be argued that, as a directly-elected body, responsible for a single service and not facing the need to balance conflicting claims for expenditure, the ILEA would be unconstrained in pressing for higher spending. But it would be within the scope of rate limitation; and in its first three years, like the joint boards, it would be subject to special financial and manpower controls. It would be desirable to include the necessary statutory provisions in the abolition Paving Bill, to be introduced later in the current Session of Parliament, and to announce the Government's decisions in outline forthwith.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he strongly supported the arguments advanced by the Secretary of State for Education and Science. It was particularly desirable to include provision in the abolition Paving Bill. This was a necessary condition for holding elections in May 1985. Without such elections it would be necessary to make elaborate transitional arrangements to cover the period between May 1985, when the membership of county councils in metropolitan areas, including London, would be reconstituted from representatives of the borough or district councils, and April 1986, when the new statutory bodies to be set up by the main Abolition Bill, would assume power. Drafting the necessary provisions would entail some delay in the introduction of the abolition Paving Bill. The aim should still be to introduce the Bill before the House of Commons rose for the Easter Recess; but even if that did not prove possible it should be feasible to secure Royal Assent by the end of July. However, the delay would make it even more essential than on present plans to take the Committee Stage on the floor of the House.

In discussion the following main points were made -

- a. Although there were evident attractions in the course recommended in C(84) 10, there were considerable potential dangers. A directly-elected body would inevitably have more authority than an appointed one. It was virtually certain that the Government's political opponents would control it most of the time; indeed, control might often rest with those of extreme opinions. They would claim a democratic mandate for systematic opposition to the Government's policies and to its control of their expenditure. It would be desirable to have more time to assess the balance of advantage.
- b. To provide for education in inner London to be run by a directly-elected body would create difficulties for other aspects of the Government's abolition proposals. It would run counter to the general approach of devolving powers to the boroughs and districts in metropolitan areas. It would not be easy to defend refusing to make similar arrangements for other services, particularly public transport, in those areas.
- c. It was essential that the new body should levy its own rate, with billing separate from the borough rate: a precepting body would not be sufficiently accountable to the electorate. It was not clear, however, whether the new body would be able to levy different rate poundages on different boroughs, which could well have undesirable consequences; nor was it clear how any new arrangements would fit into the London rates equalisation scheme, which would in any event need to be extended as a result of abolition, as had been pointed out in Cmnd. 9063.
- d. It appeared that if elections were held in May 1985 they would be elections for membership of the ILEA as a special committee of the GLC. This would be hard to explain; it might also create legal and other difficulties.

e. There was a risk that it would not be possible to resolve the necessary technical questions quickly enough to meet the timetable indicated by the Secretary of State for the Environment. The House of Lords would need to have the Paving Bill early in June if it, and therefore the House of Commons also, was not to be required to sit well into August.

f. Although there were important technical and other questions which needed to be answered before a final decision could be taken, it would be important not to lose sight of the fact that the setting up of a directly-elected body to run education in inner London might well be an essential condition for securing the passage of the abolition legislation. The opposition to the Government's existing proposal for a joint board was strong and widespread in both Houses of Parliament.

g. Several of the inner London boroughs would prefer to become education authorities themselves rather than rely on the ILEA for the provision of education. If the ILEA were a directly-elected authority it would be harder to replace it should that seem desirable at some stage. It would be essential to make provision in the legislation for a review at an appropriate time of educational arrangements in inner London.

THE PRIME MINISTER, summing up the discussion, said that, although it had been right, in view of the tight legislative timetable, to discuss the issues at the present meeting, a number of questions required further study. The Cabinet were not yet ready to take decisions. The Secretary of the Cabinet, in consultation with officials of the Departments concerned, should provide the Cabinet with a note on the matters that had been raised in their discussion; this should be circulated in time for the Cabinet to resume their discussion on Thursday 15 March. Meanwhile, in order to keep open the possibility of making provision for direct elections to the ILEA in the abolition Paving Bill, the Cabinet authorised the Secretary of State for the Environment to arrange for drafting of the necessary provisions to proceed.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Agreed to resume their discussion on Thursday 15 March.
3. Instructed the Secretary of the Cabinet, in consultation with the Departments concerned, to circulate a note on the lines described in the Prime Minister's summing up in preparation for that resumed discussion.

Cabinet Office

9 March 1984