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CABINET

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

THURSDAY 7 JUNE 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 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
(Items 1-4)

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 Peter Rees QC MP
Chief Secretary, Treasury

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

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The Rt Hon Viscount Whitelaw
Lord President of the Council
The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs
The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
The Rt Hon James Prior MP
Secretary of State for Northern Ireland
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 Michael Jopling MP
Minister of Agriculture, Fisheries and Food

THE FOLLOWING WERE ALSO PRESENT

The Rt. Hon John Wakeham MP
Parliamentary Secretary, Treasury

Mr John Gummer MP
Minister of State, Department of Employment

SECRETARIAT

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

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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 LORD PRESIDENT OF THE COUNCIL said that the House of Lords would take the Second Reading of the Local Government (Interim Provisions) Bill on Monday 11 June. He was concerned about the possible effect on Government supporters of a reasoned amendment put down by the Liberal Party. He hoped that it would be possible to defeat it. Even if the amendment was accepted, however, Second Reading would have been given and the appropriate clauses of the Bill would not necessarily be affected.

The Cabinet -

Took note.

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been further attacks on shipping in the Gulf since the Cabinet last met on 24 May and a report that morning of damage to a Liberian tanker. No British shipping had been involved. The long awaited major Iranian land offensive was still thought to be imminent. An Iranian military aircraft had been shot down by the Saudi Arabian Air Force on 5 June with support from American AWACS and in-flight refuelling tanker aircraft. As had been confirmed in his recent conversation with the United States Secretary of State, Mr Shultz, this did not signify any change in American policy. The Foreign and Commonwealth Office continued to maintain close contact with the Americans about contingencies in the Gulf. The American tendency to seek military involvement had diminished as a result, although the Americans would continue to supply arms to their allies in the area. The United Nations Security Council had adopted a relatively even-handed resolution on 1 June and consultation continued with other interested countries over the best way to bring diplomatic pressure to bear in order to contain the situation in the Gulf. The effects on the world oil market so far had been manageable. The war seemed likely to run its course, and there was nothing to be gained by Western military intervention. It was desirable to maintain a generally calm approach to the conflict.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the fighting between Sikh extremists and Indian security forces in the Golden Temple at Amritsar had resulted in heavy casualties, and there had been disturbances throughout India. There were no reports of injury to British subjects. On 5 June there had been a violent assault on the Indian High Commission in London by a small group of Sikh extremists. The police response had been rapid and nine arrests had been made. Action had been taken to protect Indian diplomatic premises and personnel in the United Kingdom but the risk of further violent incidents remained high.

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had attended the Ministerial meeting of the North Atlantic Council in Washington on 29-31 May. The main result had been to confirm that the general direction of the Alliance's East-West strategy was correct and that the Alliance was in good shape despite problems over cruise missile policy in Denmark and the Netherlands, and the continuing quarrel between Greece and Turkey. The President of the United States' speech to the Irish Parliament in Dublin on 4 June had struck exactly the right note on East-West relations; and the recent decision by the Netherlands Government on cruise missile deployment, although less robust than was desirable, was not unsatisfactory. He had had a number of useful bilateral meetings in Washington, including one with the Italian Foreign Minister, Signor Andreotti, whom he had encouraged to maintain pressure on the Libyan Government for consular access to the British subjects detained there.

THE PRIME MINISTER said that her talks with the South African Prime Minister, Mr P W Botha, in London on 2 June had concentrated on the situation in Southern Africa and had included a long discussion of the South African Government's internal policies. The South Africans had almost completed the withdrawal of their troops from Mozambique and Angola, and were anxious that the advantages of having a signed agreement with South Africa should be apparent to the people of Mozambique. They therefore hoped that British aid to Mozambique would continue. They were anxious to withdraw from Namibia, not least on grounds of cost, but were not prepared to do so as long as Cuban troops remained in Angola. This in turn depended upon some accommodation being reached between the Angolan Government under Senor Dos Santos and the Union for the Total Independence of Angola under Dr Savimbi. There was consequently no early prospect of independence for Namibia. She had made it clear to Mr Botha that the South African Government's policy of apartheid was unacceptable to the United Kingdom and had left him in no doubt of British disapproval of forced removals of the black population, South African pass laws, and political imprisonment. Mr Botha had defended South African policies in predictable terms, stressing the efforts his Government was making to accommodate the coloured community and to give political responsibility to the blacks in their separate homelands. He had also drawn attention to the large number of black immigrants attracted into South Africa from neighbouring countries by the high standard of living there. The atmosphere of the talks had been courteous, and Mr Botha's round of visits to West European capitals was useful in exposing him to Western views. The arguments in favour of dialogue with the Soviet Union applied with at least as much force to the need to maintain contacts of this kind with South Africa.

Council of
Europe
Meeting of
Ministers
of Justice

THE HOME SECRETARY said that he had attended the recent meeting of European Ministers of Justice held in Madrid under the auspices of the Council of Europe. On British initiative, agreement had been reached on a resolution to set up an ad hoc body to promote co-operation against terrorism. Against initial French resistance it had been agreed to include a reference to the abuse of diplomatic privileges and immunities and to consider a British proposal that diplomats declared persona non grata in one country should not be admitted to others. This proposal might usefully be pursued in the context of the discussion of international terrorism which was due to take place at the forthcoming Economic Summit.

Economic
Summit
and the
International
Financial
Situation

THE PRIME MINISTER said that the major economic issues at the meeting of the leaders of the seven major industrial countries in London on 7-9 June would be how to sustain economic recovery; how to handle the international debt problems; how to avoid increased protectionism; and how to deal with certain environmental needs. It was important not to raise public expectations too much. The opportunity would also be taken to discuss some major political questions, including East-West relations and the consequences of the war between Iran and Iraq for oil supplies. The President of the United States also wished to discuss international participation in the American project for a manned space station.

THE CHANCELLOR OF THE EXCHEQUER reported on the recent situation in financial markets. Stock markets had fallen in the United States, the United Kingdom and elsewhere as a result of concern about the banking system following the difficulties of Continental Illinois Bank. The underlying problems remained the size of the United States' deficit, the effect of high interest rates in the United States and the problems of some debtor countries, particularly those in South America. United Kingdom clearing banks, however, had been able to hold their interest rates and better than expected money supply figures had calmed the market. Useful work was continuing on the handling of the debt problems of South American countries.

In discussion it was pointed out that it was difficult to tread the middle line between overstating the problems and appearing to be complacent. The circumstances of the various important debtor countries were different and it was right to treat them on a case by case basis.

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THE PRIME MINISTER recalled that the 40th Anniversary of the Normandy landings fell in that week. The Cabinet would wish to record its deep appreciation of the sacrifice of those who had given their lives for the freedom of Europe and thereby made possible 40 years of peace. The ceremonies which had been held the previous day in France to mark the anniversary, and which had been attended by Heads of State or Government of the United Kingdom, the United States, France, Belgium, Norway, the Netherlands, Canada and Luxembourg, had been profoundly moving, as had been the universal respect and admiration accorded to Her Majesty the Queen.

The Cabinet -

Took note.

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3. THE FOREIGN AND COMMONWEALTH SECRETARY said that he had made clear to the French Minister for European Affairs, Monsieur Dumas, at a meeting on 6 June that the United Kingdom was willing to reach a conclusion on the reform of Community financing and United Kingdom refunds at or before the next meeting of the European Council on 25-26 June, although the margin for manoeuvre was small. It was now possible that the French Presidency, which had earlier declined to take any initiative, might take up again the search for a solution, although the issues of substance remained difficult.

THE CHANCELLOR OF THE EXCHEQUER said that the Council of Ministers (Finance) on 4 June had agreed to increase the ceiling for Community loans. The United Kingdom had opposed the specific proposal for innovation loans, which was not soundly based, and this proposal had not been adopted. There had been further discussion of budget discipline. Although some other member states, in particular Germany, France and the Netherlands, shared the United Kingdom's view on the need for greater budgetary discipline within the Community, they were not pressing for this discipline to be made more binding. The discussion, however, was still under way and could not be concluded until the outstanding questions on the reform of Community financing and United Kingdom refunds had also been resolved.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that, in the light of the meeting of the Council of Ministers (Fisheries) on 24 May, there could be difficulties with Norway over herring. Later in the year there might also be problems with Denmark over certain provisions on by-catches.

The Cabinet -

Took note.

4. THE SECRETARY OF STATE FOR ENERGY reported to the Cabinet on the latest position in the coal industry dispute. The Cabinet's discussion is recorded separately.

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the Post Office Board had made a new pay offer to the Union of Communications Workers (UCW). The National Executive of the union had not accepted this offer; but they would recommend their membership to accept it in a ballot which they were about to conduct. The offer was complicated: it included increases in basic rates, consolidation of bonuses, and changes in overtime rates. It was therefore difficult to be certain about its overall financial effect; but the Post Office estimated that it would cost about 4.9 per cent. While the ballot of the UCW's membership was in progress, there would be no further official industrial action, although there might be sporadic unofficial disruption. It seemed likely that the Government's threat to suspend the Post Office's monopoly of letter post had had a salutary effect on union attitudes.

The Cabinet -

Took note.

5. The Cabinet considered a note by the Secretary of the Cabinet (C(84) 15) about the recommendations of the Pay Review Bodies.

THE PRIME MINISTER said that it was necessary to reach decisions on the recommendations of the four Pay Review Bodies. These were as follows (all related to increases from 1 April 1984) -

- a. The Armed Forces Pay Review Body (AFPRB) had recommended increases that would add 7.8 per cent (£198.1 million) to the estimated pay bill for 1984-85. The number affected was 321,000.
- b. The Review Body for Nursing Staff, Midwives, Health Visitors and professions allied to medicine (NRB) had recommended increases for nursing staff, midwives and health visitors that would add 7.5 per cent (£228 million) to the estimated pay bill for 1984-85 of the staff concerned. The number affected by these recommendations was some 550,000 (or 484,000 in 'whole-time equivalent' terms). The NRB had also recommended increases for professions allied to medicine that would add 7.8 per cent (£17.9 million) to the estimated pay bill for 1984-85 of the staff concerned. The number affected was 44,000 (or 33,500 in 'whole-time equivalent' terms).
- c. The Doctors and Dentists Review Body (DDRB) had recommended increases that would add 6.9 per cent (£118 million) to the annual pay bill for doctors and dentists. The number affected was 94,950. They had also recommended substantial increases in payments to family doctors in respect of practice expenses. This was expected to cost around £60 million in 1984-85.
- d. The Top Salaries Review Body (TSRB) had made recommendations involving increases of just under 6½ per cent. The numbers affected were: 682 higher civil servants, 215 senior officers in the armed forces; and 1,017 members of the judiciary.

Ministers directly concerned had met under her chairmanship to consider the Review Bodies' recommendations. Their proposals to the Cabinet were as follows. The recommendations of the NRB should be implemented in full from 1 April 1984. It would be exceptionally difficult to reject the recommendations for the particular groups concerned, who commanded a wide measure of public sympathy, in the first year of a new Review Body set up in the aftermath of the 1982 National Health Service (NHS) dispute. It should, however, be made clear to the staff concerned that the recommendations were accepted on the basis that they would co-operate with management in securing improved productivity. Acceptance in full of the recommendations of the other Review Bodies would have unacceptable repercussions on other public sector pay negotiations and unacceptable consequences for public expenditure, but outright rejection would be difficult to justify and could call into question the continuation of the Review Body arrangements. It was therefore proposed that the pay rates of the groups concerned should be increased by 3 per cent from 1 April 1984, with the full recommended rates coming into payment from 1 November 1984. This would reduce the effective increase over the twelve months from 1 April 1984 to 4.63 per cent for doctors and dentists, 4.92 per cent for the armed forces, and 4.46 per cent for the top salary groups. Pensions would be based on the salaries actually in payment in accordance with the principle set out in her Written Answer of 13 April 1984.

If the Cabinet approved these proposals, she would announce the Government's decisions that afternoon by means of a Written Answer. A draft text was annexed to C(84) 15.

THE SECRETARY OF STATE FOR DEFENCE said that failure to give full immediate effect to the recommendations of the AFPRB would be much resented by the armed forces. Nevertheless, he was convinced that the course outlined by the Prime Minister was correct: higher pay increases would reduce the funds available within the Government's expenditure plans for equipment. It would, however, be desirable to stage the charges made to members of the armed forces for food, accommodation and the like in the same way as it was proposed to stage the pay increase: this would do something to reduce resentment at little financial cost. He would contain that cost within existing expenditure provisions.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that he strongly supported the proposals outlined by the Prime Minister. During discussions of public expenditure the previous autumn he had agreed with the Chief Secretary, Treasury that, if pay increases in the NHS exceeded the 3 per cent which was allowed for in the Government's public expenditure plans, he would try to offset the resulting additional expenditure as far as possible by savings, but that any balance would have to be found from the Reserve. He had identified efficiency savings of £27 million; but there would remain a charge to the Reserve of some £300 million. If the Cabinet approved the proposals in C(84) 15, he would wish to be authorised to inform the Chairmen of the DDRB, the British Medical Association (BMA) and the British Dental Association (BDA) in confidence before an announcement was made. This had been done in previous years; the Chairmen had invariably respected the Government's confidence.

In discussion, the following main points were made -

- a. There was little alternative to accepting the proposals in C(84) 15. Nevertheless, the pay of large numbers of public servants was now the subject of recommendations of pay review bodies, who seemed to give excessive weight to considerations of comparability rather than market factors. The pay of other significant groups of public servants, notably the police, was also settled largely by comparisons. It would not be sustainable in the long run if the pay of large groups of public servants was determined on the basis of comparability while that of others was determined quite differently.
- b. An illustration of this was that the Government had justified its approach to the pay of school teachers by reference to the fact that there was no general difficulty in recruiting and retaining them. The same was true of nurses, who stood to receive substantially larger pay increases. It would be necessary to stress that special pay arrangements for nurses were justified in large measure by the fact that they did not take industrial action.
- c. The Government might find difficulty in reconciling modification of the AFPRB recommendations with the continued operation of the Edmund-Davies formula for determining police pay. However, this was under review; and nothing could usefully be decided in advance of the outcome of that review.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet approved the proposals set out in C(84) 15. They also agreed that charges to members of the armed forces for food, accommodation and the like should be staged as proposed by the Secretary of State for Defence, on the understanding that he would contain the cost within existing expenditure provisions. They agreed that the increases in the pay of the relevant NHS groups should be financed as proposed by the Secretary of State for Social Services: the wording of the Written Answer to be given that afternoon would reflect this. It might, however, be desirable to increase the NHS component of the National Insurance Contribution when that came up for consideration in the normal way later in the year. The Cabinet agreed that the Secretary of State for Social Services should inform the Chairmen of the DDRB, the BMA and the BMA in confidence of the Government's decisions on those matters with which they were concerned before the decisions were announced. The Secretary of State for Defence should similarly inform the Chairman of the AFPRB; and the Secretary of the Cabinet would inform the Chairman of the TSRB. The Secretary of State for Education and Science should discuss with the Chief Secretary, Treasury and the Secretary of State for Social Services the appropriate treatment of the pay of university clinical academic staff in the light of the Cabinet's decisions on the recommendations of the DDRB.

The Cabinet -

1. Approved the proposals set out in C(84) 15.
2. Took note that the Prime Minister would announce the Government's decisions that afternoon by means of a Written Answer, and approved the text annexed to C(84) 15, subject to the retention of the first of the two alternative sentences proposed.
3. Invited the Secretary of State for Social Services -
 - a. to inform the Chairmen of the Doctors and Dentists Review Body, the British Medical Association and the British Dental Association in confidence of the Government's decisions on those matters with which they were concerned before the decisions were announced; and
 - b. to give further consideration, in consultation with the Chancellor of the Exchequer, to the possibility of an increase in the National Health Service component of the National Insurance Contribution.
4. Invited -
 - a. the Secretary of State for Defence to inform the Chairman of the Armed Forces Pay Review Body, and
 - b. the Secretary of the Cabinet to inform the Chairman of the Top Salaries Review Body

in confidence of the Government's decisions on those matters with which they were concerned before the decisions were announced.
5. Invited the Secretary of State for Education and Science to discuss with the Chief Secretary, Treasury and the Secretary of State for Social Services the appropriate treatment of the pay of university clinical academic staff in the light of the Cabinet's decisions on the recommendations of the Doctors and Dentists Review Body.

Cabinet Office

7 June 1984

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LIMITED CIRCULATION ANNEX

CC(84) 21st Conclusions, Minute 4

Thursday 7 June 1984 at 10.00 am

THE SECRETARY OF STATE FOR ENERGY said that little progress had been made in the previous week at the opening session of the discussions between the National Coal Board (NCB) and the National Union of Mineworkers (NUM). The President of the NUM, Mr Scargill, had repeated his demands for the withdrawal of all plans for closing pits on economic grounds. When the Board's representatives had asked the NUM what it proposed should be done about such pits, Mr Scargill had contributed little to the ensuing discussion, which had largely been conducted, on the NUM side, by the General Secretary, Mr Heathfield. Mr Scargill had continued to take an intransigent line in public; it was not clear whether there was a division between him and Mr Heathfield. A further meeting was to be held between the NCB and the NUM the following day; the prospects for progress did not seem good. The NCB had made it clear after the previous meeting that they had offered no concessions; and they intended to continue to resist all unreasonable demands.

Forty-four pits were working normally, and a further seven were producing some coal. Attendance continued to improve. Movements of coal by rail were satisfactory. There was a risk that the recent leak in the Daily Mirror of Government documents about the railway pay negotiations could induce railway workers to support the NUM. Mr Scargill had so far, however, failed to persuade other trade unions to support his cause; and an attempt earlier that week by himself and leaders of the railway unions to persuade railway workers in Nottinghamshire to block coal movements by rail had had no immediate effect. Picketing had continued at the Orgreave coke plant: Mr Scargill's presence there appeared to have coincided with increased violence. The police had, however, been able to frustrate all attempts to prevent movements of coke from the plant; and all accumulated stocks there would have been moved in about two weeks' time.

In discussion, the following main points were made -

- a. The leak in the Daily Mirror was regrettable and might have some adverse effects on opinion among railway workers. In substance, however, it provided no reasonable grounds for criticism of the Government. The Government had not sought to override the judgment of the Board of British Rail. It had set the financial framework for the railways and monitored

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progress within that framework. Public opinion would expect no less. It would be wrong to take a defensive or apologetic attitude in public comment.

b. It was intended that, once the accumulated stocks of coke at Orgreave had been moved, further movements should cease until stocks had built up again to a worthwhile level. There was a risk that this might be misrepresented by Mr Scargill as a victory for the pickets, and that movements of the accumulated stocks should be phased over a longer period so that no interruption would occur. Against this, it was pointed out that careful preparation had been made to ensure that the media were aware of the facts, so that attempts by Mr Scargill to misrepresent them should not succeed; and that it would be unfair to impose unnecessary burdens on either the police or the staff at the plant, who had shown great loyalty and courage in maintaining production.

c. Although use of the civil law was not, as was sometimes suggested in public debate, an alternative to the criminal law and the maintenance of law and order by the police, the desirability of seeking remedies under the civil law should continue to be kept under review by those who might be entitled to such remedies. A relevant point was that, if a union's funds were subject to damages for unlawful action, the union would be less able to sustain similar action in future.

d. The NUM would seek to make common cause with any workers adversely affected by other Government decisions of commercial or industrial matters. It would not be right or possible to defer all such decisions. But it would be necessary to ensure that discussions were conducted with careful regard to confidentiality.

THE PRIME MINISTER, summing up the discussion, said that the Government should continue to maintain its previous stance. Government spokesmen should be robust in dismissing any criticism founded on the leak of documents in the Daily Mirror. It should be emphasised that the Government had not sought to override the day-to-day judgment of management; and that it had responsibility to set the financial framework for the nationalised industries and to monitor their operations within that framework.

The Cabinet -

Took note.

Cabinet Office

8 June 1984