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CC(85) 3rd
Conclusions

COPY NO **74**

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 24 JANUARY 1985
at 10.00 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Lord Hailsham of St Marylebone
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 Michael Jopling MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

The Rt Hon Earl of Gowrie
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Young of Graffham
Minister without Portfolio

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Michael Havers QC MP
Attorney General (Items 4-6)

Mr John Gummer MP
Paymaster General

Mr John Cope MP
Treasurer of the Household

SECRETARIAT

Sir Robert Armstrong
Mr P L Gregson (Items 4-6)
Mr D F Williamson (Items 2 and 3)
Mr B G Cartledge (Items 2 and 3)
Mr C J S Brearley (Item 1)
Mr A J Wiggins (Items 4-6)
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 in the following week.

Debate on the
Inspector's
Report on the
Airport
Inquiries
1981-83

THE SECRETARY OF STATE FOR TRANSPORT said that the House of Commons had been promised an opportunity to debate the Inspector's Report on the Stansted Airport and Heathrow Terminal 5 Inquiries before decisions were taken about the grant of planning permission. This Debate would take place the following week on a Motion for the Adjournment, and it was likely that a significant number of Conservative backbenchers, from the north of England as well as representing constituencies around Stansted and Heathrow, would wish to register their concern. Because of the quasi-judicial nature of the decisions that they would have to take subsequently, Ministers would not be able to comment in the Debate on the merits of the proposals. They would, however, be able to explain the background and the procedures it was intended to follow in reaching a decision.

In discussion, it was noted that there might not be a majority in the House for any of the individual courses of action that could be taken and that there would be very few Members willing to speak about the necessity of finding and implementing a solution quickly. The situation in this respect was illustrative of others that had arisen recently. The Government would need to consider how best to organise backbench support for Government policies in debates of this kind.

Prosecution
of Offences
Bill

THE LORD CHANCELLOR said that the provisions in the Prosecution of Offences Bill for the review of lenient sentences were likely to be reached in the Committee Stage that day. He would be speaking robustly in support of the proposals, but there had been substantial lobbying against them, including by some Members of the House of Commons.

Previous
reference:
C(85) 2nd
conclusions,
minute 1

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Financing
of London
Regional
Transport

Previous
Reference:
CC(85) 2nd
Conclusions,
Minute 1

THE SECRETARY OF STATE FOR TRANSPORT said that there was a report in that day's Guardian that the Government was considering legislation following the court's decision in favour of the Greater London Council, about which he had informed colleagues the previous week. He had been advised that the Government was unlikely to win an appeal against the court's decision. He would be bringing proposals to colleagues urgently.

Representation
of the People
Bill

THE HOME SECRETARY said that discussions were proceeding with the Opposition to explore a basis on which a timetable could be agreed for the Committee Stage of the Representation of the People Bill which was being taken on the floor of the House. There was no question of altering the provisions relating to overseas or holiday votes, but the Government had made clear that its proposals on the electoral deposit were subject to consultation, and there was considerable controversy on this matter.

In discussion, it was noted that without some agreement with the Opposition, the length of the Bill's proceedings in Committee would be very difficult to control. Nonetheless there was a very good case for what the Government had proposed for the electoral deposit; it should not be changed without very careful consideration.

40th
Anniversary
of Victory
in Europe

THE SECRETARY OF STATE FOR DEFENCE said that a number of aspects needed to be considered before a final decision could be taken on the most appropriate arrangements to mark the 40th anniversary of the ending of the Second World War. He would be putting proposals to colleagues very shortly.

The Cabinet -

Took note.

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FOREIGN
AFFAIRS

Lebanon/
Israel

Previous
Reference:
CC(84) 35th
Conclusions,
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Israeli Government had now announced their decision to withdraw from the Lebanon in three phases, of which the first was due to be completed by 18 February. The process of withdrawal would involve the risk of chaos and disorder in south Lebanon. The Prime Minister and he had discussed the situation on the previous day with the Secretary General of the United Nations, Mr Perez de Cuellar. The most satisfactory solution would be an adjustment to the role of the United Nations International Force in Lebanon (UNIFIL) towards playing a part in preserving peace in the area but without such measures as manning check-points. This would not involve any increase in the size of UNIFIL and there would be no involvement of United Kingdom troops, although the United Kingdom's logistic support for the force would be maintained. Any such developments would, however, depend on a formal request by the Lebanese Government to the President of the Security Council, and the British Government would be urging the Lebanese Prime Minister to formulate one. There could be no guarantee that peace in south Lebanon would be maintained and it was difficult to be optimistic about the outcome.

Cyprus

Previous
Reference:
CC(84) 41st
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the meeting in New York between President Kyprianou of Cyprus and Mr Denktash, the Turkish Cypriot leader, which had come about through the tenacious efforts of the United Nations Secretary General, had ended in disagreement. Its failure appeared to have been due partly to misunderstandings over the nature of the meeting and partly to the fact that President Kyprianou had overplayed his hand. In the immediate aftermath of the breakdown, it had seemed unlikely that contacts at this level could be resumed; but it now seemed possible that both sides were beginning to realise the risks to their own interests of a permanent break and the British Government, at Mr Perez de Cuellar's request, would be urging the Turkish Government to exert its influence on Mr Denktash to restrain him from any steps to consolidate the Turkish presence in north Cyprus. Mr Perez de Cuellar's evident intention to persevere in his mediating role was encouraging and the United Kingdom would give him full support in this.

India

Previous
Reference:
CC(84) 38th
Conclusions,
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had nothing to add to reports in the media of the arrest of large numbers of senior Indian officials on suspicion of complicity in espionage. The background to the arrests remained unclear. Although a French Assistant Military Attache had been withdrawn, it could not be assumed that the process of inquiry would not reveal involvement by the nationals of other countries.

In a brief discussion it was noted that, although the clouds which had gathered over Anglo-Indian relations had shown signs of lifting, as had

been demonstrated by the reinstatement of a visit to India by the Secretary of State for Defence, they could easily return and the situation would have to be carefully watched.

The Cabinet -

Took note.

3. THE FOREIGN AND COMMONWEALTH SECRETARY said the European Democratic Group and some other political groups in the European Parliament were seeking to delay the start of the proposed inquiry into the policing of the miners' strike. There was a good chance that their action would be successful.

THE PRIME MINISTER said that the United Kingdom had made no proposal in the Committee on People's Europe for a European stamp.

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 SOCIAL SERVICES said that normal working had now resumed at the Department of Health and Social Security's Newcastle Computer Centre. Although the strike had been long and costly, the unions had not achieved their aim of preventing management from making desirable changes in working practices. He would be considering what

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COMMUNITY AFFAIRS

European Parliament

European Stamp

INDUSTRIAL AFFAIRS

Coal Industry Dispute

Previous Reference: CC(85) 2nd Conclusions, Minute 4

Dispute at Newcastle Computer Centre

lessons had been learnt which might have more general application and would be preparing a paper for discussion in due course in the Ministerial Sub-Committee on Public Sector Pay.

The Cabinet -

Took note.

5. THE CHANCELLOR OF THE EXCHEQUER said that he had the previous week attended a meeting in Washington of the main Western Finance Ministers. There had been unanimity that the cause of unemployment was not a lack of demand but structural rigidities in the economy. The United States Government had agreed with the other Finance Ministers that the dollar exchange rate was too high and that the arrangements for concerted intervention approved in principle at Williamsburg should be put into operation. This had been done for the first time on Tuesday 22 January with a sobering effect on the foreign exchange markets, although there was still a general upward drift of the dollar.

The Cabinet -

Took note.

6. The Cabinet considered a note by the Secretary of State for Trade and Industry about the Ministry of Defence orders for two further Type 22 frigates (C(85) 3). They also had before them minutes to the Prime Minister by the Secretary of State for Defence of 18 December 1984, by the Secretary of State for Trade and Industry of 21 December 1984 and by the Secretary of State for the Environment of 18 January 1985, together with a minute of 23 December 1984 from the Prime Minister's Private Secretary to the Private Secretary to the Secretary of State for Defence.

The Cabinet -

Agreed to resume their discussion of this matter at the earliest opportunity.

ECONOMIC AFFAIRS

Exchange Rates

Previous Reference: CC(85) 2nd Conclusions, Minute 1

TYPE 22 FRIGATES

Previous Reference: CC(84) 27th Conclusions, Minute 5

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LEGISLATION
ON COMMERCIAL
SURROGACY

7. The Cabinet considered a memorandum by the Lord President of the Council (C(85) 2) on legislation on commercial surrogacy.

The Cabinet -

Agreed to adjourn the discussion of this subject to a later meeting.

Cabinet Office

24 January 1985

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SECRET

Ser R Armstrong (BIV)

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COPY NO 16

CABINET

LIMITED CIRCULATION ANNEX

CC(85) 3rd Conclusions, Minute 4

Thursday 24 January 1985 at 10.00 am

INDUSTRIAL AFFAIRS

Coal Industry Dispute
Previous Reference: CC(85) 2nd Conclusions, Minute 4

THE SECRETARY OF STATE FOR ENERGY said that the number of miners returning to work was greater than in the previous week and would exceed 3,000 for the week as a whole. Some 42 per cent of those employees of the National Coal Board (NCB) who were members of the National Union of Mineworkers (NUM) were now at work. The number of pits producing coal had increased to 74. It was expected that coal movements for the week would be at least 900,000 tonnes: the amount moved by rail would be the highest for several months. There was every indication that, with the return to work continuing and even accelerating, the NUM was now desperate to achieve a negotiated settlement. A meeting was taking place that morning of the NUM's National Executive, which might well result in a request to the NCB to reopen negotiations. Although there had been some informal contact between NUM and NCB officials, there was as yet no clear evidence that a satisfactory basis for a settlement existed. The NCB Chairman, Mr MacGregor, was putting out a statement that if, following the meeting of the NUM National Executive, the NCB received written indication that the NUM were prepared to help resolve the problem of dealing with uneconomic capacity the NCB would be prepared to re-enter negotiations; and that the proposals must establish that the NUM recognised that management must deal with the problems of uneconomic capacity and that the NUM would co-operate in this essential task, recognising the other commitments that the Board were prepared to make on the future of their employees and the industry.

THE HOME SECRETARY said that picketing had recently been light and that it had been possible to reduce considerably the level of police effort in the mining areas.

THE SECRETARY OF STATE FOR TRANSPORT said that the British Railways Board had met the rail unions earlier in the week to point out the job losses likely to arise from continued blacking of coal traffic in many areas. The unions had asked for the discussions to be adjourned for a week in the hope that an early settlement of the miners' strike might be in prospect.

THE ATTORNEY GENERAL said that the Receiver appointed to take over the NUM's funds in Luxembourg had reached an agreement with the bank concerned, but that the Luxembourg Government had intervened threatening

SECRET

a withdrawal of the bank's licence if the agreement was implemented. The matter was being pursued through diplomatic channels. The Receiver was however likely to succeed in taking over the NUM's funds in Dublin.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the line taken by the NCB Chairman in insisting, as a condition both of reopening talks and of a settlement, that management should be able to deal with uneconomic capacity in accordance with the revised procedures. Any suggestion that there might be a period after the return to work when the closures procedures did not apply should be rejected. The Government should continue to resist proposals from church leaders and others for an independent inquiry into energy policy: it would reveal no new information and would not help to deal with the problem of uneconomic pits. The NCB should now urgently develop its thinking on the composition and methods of working of the colliery review advisory body agreed in the negotiations with the National Association of Colliery Overmen, Deputies and Shotfirers and the Secretary of State for Energy should report on the NCB's views not later than 31 January.

The Cabinet -

1. Took note with approval of the Prime Minister's summing up of their discussion.
2. Invited the Secretary of State for Energy to report on the National Coal Board's thinking about the composition and methods of working of the new colliery review advisory body not later than 31 January.

Cabinet Office

25 January 1985

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CAR 128/82

SUBJECT

MOST CONFIDENTIAL RECORD

No.	Contents	Date
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SECRET

Content

*PLG
25/1*

SIR ROBERT ARMSTRONG

cc Mr Wiggins

As you will see these draft minutes contain no explicit record of Mr Heseltine's dissent. Although he made his dissent very clear at the end of the discussion he did not, in our hearing, actually ask for it to be recorded. He may, however, have made a request to you or to the Prime Minister. The practice, as you know, is to avoid, wherever possible, the recording of dissent from Cabinet Conclusions except when a Minister resigns. May we leave it to you to do what you judge necessary in the circumstances?

I think that we had better make this an MCR.

Pl. see also

overleaf →

No copies outside this office. Please clear amended minute with PLG.

PLG

P L GREGSON

24 January 1985

BA

SECRET



Mr. Wiggins has placed the prime responsibility for producing the next paper on Mr. Tebbitt rather than Mr. Heselbine. This is logical; since, as several Ministers pointed out, the work for C.L. need not be confined to MOD work. Moreover it is Mr. Tebbitt who actually has sponsoring responsibility for C.L.

But I think that Goble the PM and Mr. Heselbine will think that the report was given to him, in consultation with Mr. Tebbitt.

My inclination, on balance, would be to put it that way round, despite the logic.

RQ
24/1



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MOST CONFIDENTIAL RECORD
TO
CC(85) 3rd Conclusions

Thursday 24 January 1985

TYPE 22
FRIGATES

The Cabinet considered a memorandum by the Secretary of State for Trade and Industry about the Ministry of Defence orders for two further Type 22 frigates (C(85) 3). They also had before them minutes to the Prime Minister by the Secretary of State for Defence of 18 December 1984, by the Secretary of State for Trade and Industry of 21 December 1984 and by the Secretary of State for the Environment of 18 January 1985, together with a minute of 23 December 1984 from the Prime Minister's Private Secretary to the Private Secretary to the Secretary of State for Defence.

THE SECRETARY OF STATE FOR DEFENCE recalled the circumstances which had resulted in the Cabinet's decision at their previous discussion in July 1984 to call for a third round of tendering for the two Type 22 frigate orders. Simply on the basis of the third round tenders, those orders would go to the Swan Hunter (SH) yard. In his view, however, it would be wrong to accept this course of action, essentially because the third round of tendering had been carried out on a basis other than that which had been agreed by Cabinet. Plans already in course of implementation by British Shipbuilders (BS) at the time of the Cabinet's previous discussion had deprived Cammell Laird (CL) of the capacity to build both ships, but if all their overhead costs had to be loaded on to the price of one of the ships, they could never compete against the other yard. In these circumstances the Government could be represented as having deceived the management of CL, and the moderate members of the workforce who had been striving with some success to overcome militancy and to bring about improved industrial relations and better productivity in the yard, by allowing them to believe that there was a possibility of their winning the contract for the two frigates when the possibility did not in fact exist. On the two previous occasions CL had been the lowest tenderer, without any interference from Departments or from BS central management. The least the Government should do now should be to give CL one of the orders despite the extra costs. There was an unenviable choice between preserving a given number of jobs on Merseyside or in the North East; but whereas giving both orders to SH would definitely result in the closure of CL (which was extremely important to the economy of Merseyside), splitting the orders would not mean the closure of SH. For these reasons he proposed that one order should go to CL and one to SH.

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that he did not accept that the third round of tendering had been carried out on a false basis. BS had permitted CL to make favourable assumptions about other work over which they could spread their overheads, even though there seemed to be little prospect of these assumptions being realised. Permitting CL to undertake both orders would have resulted in CL taking on fresh labour while SH had to impose a comparable number of additional

redundancies. Splitting the order between the two yards, as proposed by the Secretary of State for Defence, would mean in effect spending £47 million - £7 million directly by the Ministry of Defence, and a further £40 million through BS - to divert jobs from the North East to Merseyside. If the orders were split, it would be clear that substantial additional costs were being incurred essentially for political reasons, and this would add to the bitterness which would be felt in the North East if SH's better record of productivity and industrial relations was seen to be ignored. The closure of the Austin and Pickersgill yard would give rise to 700 shipbuilding redundancies in the North East in the near future, and would make the further 1,200 redundancies resulting at SH if CL received one of the Type 22 orders all the harder to bear. In industrial terms the correct course was undoubtedly to place both orders with SH. If nevertheless the Cabinet decided that one of the orders should go to CL, they should at the same time decide how the additional costs this would impose on BS should be financed; his Department had no funds available to meet these costs. He recognised that there was a very strong moral and political case for some Government action to support the workforce at CL. Some such action would have been possible if CL had received the order for the conversion of the Balder London, and it would also have been possible to have had the submarine HMS Otter refitted there. Some measures on these lines which enabled the yard to continue in operation and demonstrate its improved productivity and industrial relations record could be implemented at relatively modest cost, and so help CL to justify its own survival following privatisation.

The following were among the main points made in discussion:

- a. Giving both orders to SH would be seen as a means of improving the prospects for privatisation; it could be politically damaging if the Government were thought to be giving higher priority to privatisation than to the social and industrial fabric of Merseyside.
- b. The Government had been ready to spend very large amounts of money to resist militancy elsewhere in the economy; the miners' strike and the DHSS computer strike at Newcastle (which had cost £150 million) were both examples of this. The CL workforce's achievement in overcoming militancy was second in importance only to the struggle in the coalmines.
- c. Postponing economic change, and maintaining excess capacity, as would result from splitting the orders between the two yards, simply increased the costs of measures which would at some point be inevitable.
- d. The Government had arguably held out to the CL workforce the prospect of competing for a prize which was beyond their grasp. This added to the strength of the argument for some action to assist CL if SH received both orders.



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THE PRIME MINISTER, summing up the discussion, said that the balance of view in the Cabinet was in favour of both orders going to SH. At the same time there was a strong feeling that the Government should take action to recognise the value and importance of the stand taken by the moderate workforce at CL. There should therefore be a further examination of the scope for other action to help CL; the Departments concerned should consider this urgently, and a further paper should be prepared for discussion at an early date.

THE SECRETARY OF STATE FOR DEFENCE said that he would be ready to co-operate in the further examination proposed, but wished to put on record that, if it was not possible to find work for CL which would be broadly equivalent to an order for a Type 22 frigate, he would not be able to accept a decision by the Cabinet to put both the Type 22 frigate orders to SH.

The Cabinet -

Took note that the Prime Minister would arrange for the preparation of a paper assessing the scope for action to assist Cammell Laird to continue in operation, in the event of a Cabinet decision to place both Type 22 frigate orders with Swan Hunter.

Cabinet Office

25 January 1985