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CC(85) 4th
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 31 JANUARY 1985
at 11.00 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

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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 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 Tom King MP
Secretary of State for Employment

The Rt Hon Peter Rees QC MP
Chief Secretary, Treasury

The Rt Hon Douglas Hurd MP
Secretary of State for Northern Ireland

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Michael Havers QC MP
Attorney General (Items 5-8)

Mr John Gummer MP
Paymaster General

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr P L Gregson (Items 5 and 6)
Mr D F Williamson (Items 3 and 4)
Mr B G Cartledge (Items 3, 4 and 7)
Mr C J S Brearley (Items 1, 2 and 8)
Mr A J Wiggins (Items 4-6)
Mr R Watson (Items 1 and 2)

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PARLIAMENTARY
AFFAIRS
Parliamentary
Secretary,
Treasury
Shops Act:
Late Night
and Sunday
Opening

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

The Cabinet welcomed the Parliamentary Secretary, Treasury back to their meetings and extended their warmest congratulations to him on his recovery from the injuries which he sustained in the bomb explosion at the Grand Hotel, Brighton, in October 1984.

THE HOME SECRETARY said that the Home and Social Affairs Committee (H) had discussed the recommendation of the Committee of Inquiry into proposals to amend the Shops Acts that shop opening hours should be completely deregulated. They had agreed with his proposal that the Government should prepare legislation to give effect to that recommendation. He was committed to making an announcement of the Government's intention early that year. H Committee had thought that the announcement should be made later rather than earlier, in order to reduce the period of time between the announcement and the introduction of legislation, but he was now coming under pressure for an early announcement. Whenever the announcement was made, it would stimulate more lobbying from those strongly opposed to liberalisation. Their opposition would have its effect on Members of Parliament, especially since support for the proposals, although widespread, was not fervent. Careful handling would be necessary if the legislation was to be carried and the Cabinet should be in no doubt about the difficulties which would lie ahead once he had made his announcement.

In discussion, it was pointed out that an early announcement would enable the Government to convince Members of Parliament of the soundness of its proposals before pressure groups had too much effect. Some Members of Parliament would have serious and genuine conscientious objections to the proposals, and these would have to be respected.

THE PRIME MINISTER, summing up the discussion, said that there were clear advantages in an early announcement of the Government's intention to legislate in the next Session to remove the restrictions on shop opening hours. The ensuing debate would give some pointers to the difficulties which might be encountered with subsequent legislation. There was a danger that the existing law would be increasingly disregarded during the period between the announcement of the forthcoming change in the law and the coming into effect of the new legislation; but there was no alternative to continuing enforcement of the existing law until it was repealed.

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The Cabinet -

Took note with approval of the Prime Minister's summing up of their discussion and invited the Home Secretary to be guided accordingly.

2. THE PRIME MINISTER said that, at their meeting the previous week the Cabinet had agreed to resume discussion later of the Ministry of Defence orders for two further Type 22 frigates. As a result of further discussion involving the Ministers most closely concerned, new proposals had been circulated to the Cabinet under cover of a minute from the Secretary of the Cabinet to the Lord Chancellor of 25 January. The main features were -

a. One of the two orders for Type 22 frigates should be placed with Cammell Laird (CL) and the other with Swan Hunter (SH) on the basis of existing tenders.

b. One Type 23 frigate should be ordered from SH on a single tender basis.

c. The Secretary of State for Defence would absorb in the Defence budget the extra direct costs (£7 million) of ordering one Type 22 frigate from CL rather than SH and the cost of whatever cash injection into CL would be necessary to keep open the option of privatising CL. The Defence budget would also absorb any additional cost arising from letting a Type 23 contract to SH on a non-competitive tender.

d. The indirect losses of this proposal (£1.5 million at SH and £5 million at CL) would add £6.5 million to the External Financing Limit (EFL) of British Shipbuilders (BS) in 1985-86. There could also be an adverse effect on the receipts of the Yarrow privatisation (possibly of the order of £5-10 million). This would require a corresponding further adjustment to the EFL of BS.

No member of the Cabinet had dissented from these proposals and the Secretary of State for Defence had accordingly based on them a statement which he made to the House of Commons on 28 January. It would be necessary to give greater precision to the amount of cash injection into CL and any necessary increase in the EFL of BS in the light of circumstances nearer the time when these decisions were required. It was noted that swift action on the order to SH for a Type 23 frigate would help to reduce the financial burdens on SH and thus the EFL of BS.

The Cabinet -

Took note.

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TYPE 22
FRIGATES

Previous
Reference:
CC(85) 3rd
Conclusions,
Minute 6

FOREIGN
AFFAIRS

Libya

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

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Libyan authorities had conveyed a message to the Italian Ambassador in Tripoli to the effect that the decision to release the four British hostages was now final. The arrangements for the release of the hostages might nevertheless take some days yet, and it was also clear that the Libyans expected the British Government to reciprocate with a goodwill gesture or positive political signal of some kind. The Archbishop of Canterbury's Special Envoy, Mr Terry Waite, had been authorised to inform the Libyans that the British Government could accept their request for special arrangements to be made with regard to visas for a visit to the United Kingdom by relatives of Libyans detained here. The outcome nevertheless remained uncertain.

Lebanon/
Israel

Previous
Reference:
CC(85) 3rd
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that despite the formal breakdown of talks between the Israelis and the Lebanese, the first phase of the withdrawal of Israeli troops from southern Lebanon would be completed by 18 February. The Israelis would do their best to co-operate with the Lebanese authorities in averting bloodshed but the Lebanese Government had still failed to make the clear and specific request to the United Nations which was necessary if the United Nations International Force in Lebanon was to play a positive role in this. It seemed likely that the Lebanese Government felt unable to take this step without Syrian approval. The Foreign and Commonwealth Secretary said that he had already been in direct touch with the Lebanese Prime Minister on the matter and was considering a direct approach to the Syrian Government as well.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Enlargement
of the
Community

Previous
Reference:
CC(84) 39th
Conclusions,
Minute 3

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Council of Ministers (Foreign Affairs) on 28-29 January had made little or no progress on the accession of Spain and Portugal. The Community's agreed position on fisheries and on certain agricultural issues, however, had been maintained in the negotiations in line with United Kingdom views. On the related question of integrated Mediterranean programmes the new President of the Commission, Monsieur Delors, was likely to propose a much more modest programme.

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Finance

THE FOREIGN AND COMMONWEALTH SECRETARY said there had been further discussion in the Council of Ministers (Foreign Affairs) on 28-29 January of the revised decision on the Community's own resources and on the financing of the 1985 budget overrun. The Germans were now almost isolated. He had received conflicting replies from Herr Genscher, the German Foreign Minister, to the question whether the German Government would be willing to go along with solutions acceptable to the United Kingdom and the majority of member states. The Commission Vice-President responsible for the budget, Mr Christopherson, had reported that the 1985 budget overrun was now estimated by the Commission to be higher than the earlier figure of 1300 million ecu. In reply he had made clear that such estimates would need to be scrutinised with extreme care. The previous year's experience showed that the Commission's estimate of additional financial needs had been substantially above the amount finally required.

Agricultural Prices

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Commission had now made its proposals for agricultural support prices for 1985/86. For most products the Commission proposed a price freeze or cuts. For the principal cereals the net effect of the guarantee threshold and the price proposal would be a cut of 3.6 per cent in the intervention price. For milk, on which the quota arrangements had been introduced, the target price would rise by 1.1 per cent. The price proposals would give rise to serious problems of negotiation among Agricultural Ministers: in particular, the southern member states would strongly resist the cuts on Mediterranean products and Germany would oppose any fall in support for grain. In discussion it was said that any increase in the target price for milk was not justified.

British Sherry

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that he had been told by British companies with an interest in the Spanish sherry trade that they had been threatened by the Spanish authorities with various penalties, such as a ban on the export of Spanish sherry in bulk and the ending of support for sherry promotion, if the United Kingdom continued to argue in the Spanish accession negotiations for the maintenance of the term "British sherry". He had made clear his serious concern to the Spanish Ambassador. He would not discuss the United Kingdom's position on British sherry on such a basis.

The Cabinet -

Took note.

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INDUSTRIAL
AFFAIRS

Coal
Industry
Dispute

Previous
Reference:
CC(85) 3rd
Conclusions,
Minute 4

5. 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.

ECONOMIC
AFFAIRS

Unemployment

Previous
Reference:
CC(84) 32nd
Conclusions,
Minute 4

6. THE SECRETARY OF STATE FOR EMPLOYMENT said that the unemployment figures published that morning showed the highest ever number unemployed. The unadjusted figures showed an increase of nearly 122,000 between December 1984 and January 1985, while there was an increase of 18,000 on a seasonally adjusted basis. The average monthly increase in the seasonally adjusted figure had fallen to 9,000 over the last three months, as against 15,000 during the previous three months. The flow of new vacancies was continuing at a high level, and the indications from the private sector were that prospects for new job opportunities were now better than they had been for some years. In commenting on the figures he would draw attention to the continuing adverse impact on employment of the miners' strike, and to the importance of moderating the growth of earnings if new jobs were to be created at a faster rate. Although the numbers unemployed were at a record level in absolute terms, in percentage terms they remained well below the 1930s peak, when the burden of unemployment fell almost exclusively on men (as compared with the present position when women accounted for 1 million of the total 3.3 million unemployed).

Exchange
Rates

Previous
Reference:
CC(85) 3rd
Conclusions,
Minute 5

THE CHANCELLOR OF THE EXCHEQUER said that there had been no further surge of the dollar against other currencies since the agreement on concerted intervention by the Group of Five on 17 January. Further pressure on sterling had, however, developed in the foreign exchange markets, coupled with upward pressure on sterling interest rates in the United Kingdom money markets, on 25 and 28 January, mainly as a reaction to the doubtful prospects for an effective agreement in the Organisation of Petroleum Exporting Countries (OPEC) on oil prices. It would not have been possible for the Government to have resisted the 2 per cent increase on 28 January in banks' base rates, which had simply reflected developments elsewhere in the markets; any attempt to restrain interest rates would have resulted both in a continuing fall in the exchange rate and in a loss of market confidence in the Government's determination to maintain control over the growth of the money supply. The OPEC agreement on 30 January had produced a sharp improvement in

market sentiment about sterling, and there was now a good prospect of an early fall in the banks' base rates.

The Cabinet -

Took note.

40TH ANNIVERSARY OF VICTORY IN EUROPE

Previous Reference: CC(85)3rd Conclusions, Minute 1

7. THE SECRETARY OF STATE FOR DEFENCE said that he had considered the manner in which the 40th Anniversary of Victory in Europe (VE Day) should be commemorated in the United Kingdom. He had been impressed by the strength of public feeling in favour of a commemoration which emphasised the theme of peace and by the extent of support for a commemorative service in Westminster Abbey, in view of the presence there of the Tomb of the Unknown Warrior. On the question of the most appropriate date for the commemoration, he had considered the possibility of choosing one which fell between VE Day and the anniversary of the Victory over Japan (VJ Day), but had decided in favour of the actual VE Day anniversary, which fell on 8 May. He therefore intended to make arrangements on this basis. These arrangements would provide for those who were killed in the war against Japan to be properly commemorated in the service on 8 May. He would give further consideration to the question whether and, if so, how to commemorate VJ Day, bearing in mind that this anniversary fell in the middle of the summer holiday period.

The Cabinet -

Took note.

LEGISLATION ON COMMERCIAL SURROGACY

Previous Reference: CC(85) 3rd Conclusions, Minute 7

8. The Cabinet considered a memorandum by the Lord President of the Council (C(85) 2) on legislation on commercial surrogacy. They also had before them a minute to the Prime Minister by the Secretary of State for Social Services of 23 January 1985..

THE LORD PRESIDENT OF THE COUNCIL said that the Home and Social Affairs Committee (H) had discussed a proposal from the Secretary of State for Social Services to bring forward urgent legislation in the current Session to outlaw commercial practices in connection with surrogate motherhood. The recent case of "baby Cotton" had aroused much public interest and concern about the operations of commercial agencies in this field and there was considerable public and Parliamentary pressure for the Government to take action. Such legislation would be in line with the recommendations of the Committee of Inquiry into Human Fertilisation and Embryology (The Warnock Committee). H Committee had concluded, however, that it would be preferable to deal with this aspect in the legislation which it was intended to bring forward in the following Session to implement the Warnock recommendations as a whole. The

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introduction of earlier legislation would allow insufficient time to think through the often complex issues, particularly legal issues, in this field. In view of the political and Parliamentary concern, however, it was right for Cabinet to take the final decision.

THE PRIME MINISTER, summing up a brief discussion, said that the introduction of commercial practices in connection with surrogate motherhood raised political and moral issues which demanded an urgent response from the Government. If legislation could successfully be prepared for early introduction this would be the best course. In view, however, of the uncertainties over whether the legal issues that arose could be adequately dealt with in the context of early legislation, a group of the Ministers primarily concerned should examine the proposed Bill in draft and report whether any insuperable problems were raised.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of the discussion.
2. Invited the Secretary of State for Social Services to submit a draft of the proposed Bill for consideration by a group of the Minister's concerned.

Cabinet Office

31 January 1985

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LIMITED CIRCULATION ANNEX

CC(85) 4th Conclusions, Minute 5

Thursday 31 January 1985 at 11.00 am

INDUSTRIAL
AFFAIRS

Coal
Industry
Dispute

Previous
Reference:
CC(85) 3rd
Conclusions,
Minute 4

THE SECRETARY OF STATE FOR ENERGY said that the return to work was continuing at rather less than half the previous week's rate. Following the unsuccessful meeting on 29 January between Mr Spanton, Member for Personnel at the National Coal Board (NCB) and Mr Heathfield, General Secretary of the National Union of Mineworkers (NUM), the NCB had invited the NUM to specify the constructive new initiatives they had claimed in the media to have made. It seemed likely that the NUM would continue to rest merely on their willingness to have talks without preconditions. There was no indication that Mr Scargill, President of the NUM, had changed his position about the closure of uneconomic pits or that a majority of the NUM's National Executive were at present prepared to oppose him. Negotiations were unlikely to be successful and could be drawn out by the NUM to slow down the drift back to work. It was however important that the responsibility for any failure either to resume negotiations or, if negotiations were resumed, to reach a settlement should be seen to rest with the NUM rather than the NCB or the Government.

THE ATTORNEY GENERAL said that the NUM Receiver had secured possession of nearly £5 million of the Union's funds held in a Luxembourg bank. This was a satisfactory outcome to a difficult and complex series of negotiations. It was expected that the Receiver's case to secure control of NUM funds held in the Republic of Ireland would begin to be heard in a Dublin court that day. Following the Receiver's success, the Sequestrator now had access to enough money to defray his expenses, so that there would now be no further question of any possible call on public funds.

THE PRIME MINISTER, summing up the discussion, said that the Government's position remained unchanged in support of the NCB's view that there could be no question of reopening negotiations unless these were addressed to the question of uneconomic capacity, as dealt with in the NCB's agreement with the National Association of Colliery Overmen, Deputies and Shotfirers. Continuing tactical skill would be needed on the part of the Government and the NCB to ensure that public and Parliamentary opinion fully understood and remained in support of the

SECRET

NCB's position and that the responsibility for lack of progress was clearly seen to rest with the NUM. Striking miners should be given no reason to expect an early settlement, and so to delay joining the movement back to work.

The Cabinet -

Took note with approval of the Prime Minister's summing up of their discussion.

SECRET

Cabinet Office
1 February 1985

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