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CC(85) 25th  
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 18 JULY 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 John Wakeham MP  
Parliamentary Secretary, Treasury

Mr John Gummer MP  
Paymaster General

SECRETARIAT

Sir Robert Armstrong  
Mr D F Williamson (Items 2 and 3)  
Mr C L G Mallaby (Items 2 and 3)  
Mr J B Unwin (Item 4)  
Mr C J S Brearley (Item 1)  
Mr A J Wiggins (Item 4)  
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.

Local  
Government  
Bill

THE PRIME MINISTER said that the Local Government Bill, abolishing the Greater London Council and the Metropolitan County Councils, had received Royal Assent on Tuesday 16 July. The Cabinet would wish to congratulate all those concerned.

Previous  
Reference:  
CC(85) 22nd  
Conclusions,  
Minute 1

Presentation  
of Government  
Policy

THE LORD PRESIDENT OF THE COUNCIL said that it was most important that presentation of Government policy should not go by default during August. Each Department should ensure that a duty Minister was available close to London at all times, ready to appear on radio and television as necessary. It was important to ensure that reactions to critical or adverse comment on Government policies were rapid and that Ministers were prepared to speak about all aspects of Government policy and not only those related to their own Departmental responsibilities.

THE PRIME MINISTER, summing up a brief discussion, said that rapid response to criticism of Government policy was most important, and Ministers in charge of Departments should implement the arrangements proposed by the Lord President of the Council immediately. Press reactions to the recent statements by the Minister without Portfolio on deregulation and the Secretary of State for Employment on Wages Councils showed how well the media could respond to the correct approach. The Cabinet would wish to congratulate the two Ministers concerned.

The Cabinet -

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

FOREIGN  
AFFAIRS

Ethiopia

Previous  
Reference:  
CC(85) 16th  
Conclusions  
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that a letter to the Prime Minister from the Archbishop of Canterbury, the Moderator of the Free Church Federal Council and the Cardinal Archbishop of Westminster, received that morning, had urged that Hercules aircraft of the Royal Air Forces, presently engaged in transporting food supplies for famine relief in Ethiopia, should remain available for this purpose after the end of September. The Ethiopian authorities had more than enough road vehicles for distribution of food supplies. The Hercules aircraft had been provided temporarily, while road transport was organised and for the duration of the rainy season. The Government had announced on 10 June that the aircraft would remain available until the end of September. The Minister of State, Foreign and Commonwealth Office and Minister for Overseas Development was currently in Ethiopia. He was urging the authorities to transfer sufficient vehicles to famine relief, and he would be in a position to assess whether the aircraft would really be needed beyond September.

In discussion, the following points were made -

- a. All the practical arguments, notably the relative cheapness of using vehicles and their availability in Ethiopia in sufficient numbers, were in favour of withdrawing the Hercules aircraft.
- b. There would be vociferous criticism, however unjustified, if the aircraft were withdrawn and the distribution of food suffered as a result.
- c. It was for consideration whether the Hercules aircraft should be diverted to Western Sudan, where the need for distributing food aid was now perhaps greater than in Ethiopia.
- d. The United Kingdom, in addition to providing the Hercules aircraft, had given money for the purchase of trucks for famine relief in Ethiopia.
- e. It would be worth the Government talking to Mr Bob Geldof, who had organised the "Live Aid" concerts on 13 July to raise funds for famine relief, to establish whether help was needed in distribution of the aid.
- f. The Soviet Union was providing much military and little famine aid to Ethiopia. In recent months, India, for example, had supplied ten times as much food aid as the Soviet Union.

THE PRIME MINISTER, summing up the discussion, said that the decision on whether to continue to provide the Hercules aircraft would require very careful preparation, if it was not to be misunderstood and to expose the Government to strong criticism. A decision should not be taken until after the Minister for Overseas Development had returned from and reported on his visit to Ethiopia. The provisional view of the Cabinet was that it might be very difficult to withdraw the Hercules aircraft at

the end of September. Meanwhile, efforts should be made to bring home to the public the extent of all types of British Government aid for famine relief. A full and firm reply to the Church leaders' letter should be quickly prepared.

The Cabinet -

1. Invited the Foreign and Commonwealth Secretary to arrange for the preparation of a draft reply from the Prime Minister to the Church leaders, on the lines indicated in the Prime Minister's summing up.

Belgium

THE FOREIGN AND COMMONWEALTH SECRETARY said that the next general election in Belgium had been brought forward from December to October 1985. This was an indirect consequence of the football tragedy in Brussels on 29 May. The Francophone Christian Democratic Minister of the Interior, Monsieur Charles-Ferdinand Nothomb, had been criticised in the Parliamentary inquiry conducted in Belgium into the tragedy. This had provided the opportunity for the Francophone Liberal Deputy Prime Minister, Monsieur Jean Gol, to pursue his long-standing campaign against Monsieur Nothomb by attempting to resign in protest at the latter's refusal to do so. The Prime Minister, Monsieur Wilfried Martens, had offered the Coalition Government's resignation, but this had been refused by King Baudouin. There was bound to be a feeling in Belgium that the troubles of the Government had been caused in significant part by the football tragedy, and a risk that this might affect the standing in Belgium of the United Kingdom. The forthcoming general election was not likely to increase the stability of government in Belgium.

United States

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

THE FOREIGN AND COMMONWEALTH SECRETARY said that President Reagan was bound to take some time to recover fully from the major operation for cancer which he had undergone on 13 July. He was expected to return to work within about 10 days, but his convalescence would in practice continue through the summer break. His ability to participate in the decision-making of the Administration would inevitably be reduced during that period. Despite the presence of an experienced team of advisers in the White House, there might be a certain slowness in taking decisions. There were, however, good grounds for hoping that President Reagan would be working normally by the end of the summer break.

Spain

THE HOME SECRETARY said that he would shortly be signing an extradition treaty with Spain which would fill a notable gap in the United Kingdom's international arrangements for extradition. The treaty would apply not

only to persons suspected of crimes committed after its signature but also to persons suspected of crimes committed earlier but who entered Spain after its signature.

European  
Defence  
Equipment  
Collaboration

Previous  
Reference:  
CC(85) 24th  
Conclusions,  
Minute 2

THE SECRETARY OF STATE FOR DEFENCE said that intensive discussions were proceeding, in a very fluid situation, to see whether agreement could be reached to proceed with joint production of a European Fighter Aircraft (EFA) by the five countries hitherto involved or by these without France. His present judgment was that the project for an EFA was still alive, at least as regards the four countries other than France. The latest report by the industries concerned in the five countries revealed the familiar division between France and the others about the specification for the aircraft. He was adhering to the British position and the countries involved other than France were advocating an aircraft broadly in line with this. The Government of the Federal Republic of Germany were showing signs of departing marginally from the agreed specification and were making further efforts to find a basis for agreement between the five powers, or at least between the four powers. The Secretary of State for Defence said that he would consult colleagues again if there was a question of arrangements for the Project Definition of the aircraft which did not meet the requirements laid down by Ministers at the meeting of the Defence and Oversea Policy Committee on 7 May 1985 (OD(85) 5th Meeting).

In a short discussion, it was noted that France was still trying to delay the Project Definition phase for the EFA, so as to make progress with their own design for a future fighter aircraft. This was an argument for trying to proceed quickly to Project Definition for an EFA. If this was achieved, France would no doubt continue to try to secure changes to enable them to join in.

The Cabinet -

2. Took note.

COMMUNITY  
AFFAIRS

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Co-operation  
in High  
Technology  
(EUREKA)

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that at the meeting of Community and other Western European countries in Paris on 17 July there had been strong support for the United Kingdom view that increased co-operation in high technology under the EUREKA label should be market-led and market-based. The French President, Monsieur Mitterrand, had announced further support from French public funds for projects. The majority of participating countries, however, did not put the emphasis on public spending but on the development and exploitation of the products of high technology in a sufficiently large and open market. For this reason the United Kingdom's suggestion, known as Eurotype, for some guarantee of access to markets for the products of such collaboration had also been well received. The majority of

participating countries had also been in favour of carrying forward the consideration of the EUREKA programme by setting up a high level group.

In discussion it was said that the strategy of the French Government would no doubt be to direct the EUREKA programme into those areas where French companies could take the lead in bilateral or multilateral groupings, such as the recently announced collaboration between French and Norwegian industrial interests. It was important that this should be monitored; that there should be co-ordination of action in the civil and military fields, particularly since the United Kingdom had a key role in co-ordinated defence procurement; and that British companies should be encouraged to play a major part. To some extent the French could be following an approach similar to that of the Japanese, which was to build up a dominant position in certain sectors before moving to a more liberal stance on these products. In reply it was said that there was a general recognition among the participating countries that Western Europe was already spending heavily on basic research in high technology. The main problem was the continued fragmentation of European industry and of the European market. There was, therefore, pressure for greater co-operation between commercial companies in development of products and corresponding action to open up markets. It had been made quite clear that United Kingdom companies were interested, and at least one collaboration - that of the General Electric Company of the United Kingdom, Thomson of France, Siemens of the Federal Republic of Germany and Phillips of the Netherlands - had very recently been announced.

Agriculture

Previous  
Reference:  
CC(85) 24th  
Conclusions,  
Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that at the Council of Ministers (Agriculture) on 15-16 July there had been no change in positions on the 1.8 per cent cut in cereal support prices. The Commission, which would be managing the cereals market on the basis of this price reduction, had announced some other related measures including the possibility of some intervention for breadmaking wheat at the end of the season. The Commissioner, Mr Andriessen, had given assurances that these arrangements would be budgetarily neutral in 1985. In the autumn there would be further proposals from the Commission for amendment of the cereal support regime, probably in line with the ideas recently set out in the Commission's document on the development of the common agricultural policy more generally. Since the Commission was stressing the need for price restraint, it seemed likely that any new proposals on the cereals regime would lead once again to a deadlock similar to that which existed now. On health standards for pasteurised milk the Council of Ministers had reached a very satisfactory agreement on the directive. This would probably lead to the withdrawal of infraction proceedings by the Commission against the United Kingdom. Under the arrangement now agreed there would be free trade in pasteurised milk within the Community from 1 January 1989 but the United Kingdom would be able to enforce its own higher standards which would make imports difficult. The agreement had been well received by milk producers and the milk industry.

The Cabinet -

Took note.

TOP SALARIES  
REVIEW BODY  
REPORT

The Cabinet considered a Note by the Secretary of the Cabinet (1985/19) about the recommendations of Report No 22 of the Top Salaries Review Body (TSRB).

THE PRIME MINISTER said that in making their recommendations the Review Body had sought not simply to update salary rates by reference to developments since their last report the previous year, but to conduct a comprehensive review, including not only a major re-examination of salaries at senior levels in the Civil Service, the armed forces and in the judiciary but also a review of the underlying pay structure in the senior Civil Service and an extensive study of the judicial salary structure. In their recommendations on senior civil servants, the Review Body had taken into consideration evidence on recruitment, retention, motivation and morale, and rewards available for people in jobs of comparable responsibility in other walks of life. They had also taken into account the importance of being able to offer a reasonable career structure, in terms of salary, in order to attract and retain people of the right quality to fill the top posts in the public service.

They had accordingly recommended changes in the salary structure for senior civil servants with a view to introducing into the pay arrangements at these levels a greater degree of flexibility to take account of differences of performance and of job weight. In particular they had recommended a substantial degree of salary differentiation in Grade 1 (Permanent Secretaries) by reference to broad considerations of job weight; and the introduction of incremental scales, including some discretionary increments for high performance, for Grades 2 and 3 (Deputy and Under Secretaries and equivalents). They had taken similar considerations into account in arriving at recommendations for senior members of the armed forces and the judiciary, with broadly similar results. Although the recommendations would entail substantial increases of remuneration at the top levels, those levels would still be well below the salary levels of people at comparable levels and with broadly comparable responsibilities in the private sector.

Ministers directly concerned had met under her chairmanship to consider these proposals. They considered that the Review Body's recommendations both as to salary structures and salary levels should be accepted in principle, but that their implementation should be staged so as to contain the amount of the increases in 1985-86 to broadly the same as the amounts of the increases already agreed for lower grades and ranks in the Civil Service and the regular armed services (4.9 and 7.1 per cent respectively). They also considered that it would be preferable to complete the implementation by stages within the current financial year. It would be possible to spread it over two years, or even more; but any



increases paid after 1 April 1986 would themselves have to be dynamised by any further increases the Review Body might then recommend. The Ministers concerned therefore proposed that the increases recommended by the Review Body should be implemented in two stages, the first payable from 1 July 1985, the second from 1 March 1986. They had considered three options for distributing the implementation as between the two stages, which were set out in paragraph 14 of C(85) 19. An important consideration in choosing between these options was the effect upon superannuation entitlements of those retiring between 1 July 1985 and 28 February 1986. Annex C of the Note by the Secretary of the Cabinet gave illustrative examples of the effect on superannuation entitlements, which would be particularly large for officers at the most senior level of the armed services. The Government had taken and announced the previous year the firm decision that superannuation benefits should be calculated on the basis of salaries actually in payment before retirement. If the Government were to depart from this decision on this occasion, it would be very difficult to justify not extending a similar concession to retiring nurses and others who had been similarly affected by the staging of the Review Body recommendations to their groups. In any case, the payment of 50 per cent of the increases recommended from 1 July 1985, and the other 50 per cent from 1 March 1986, would still produce for those retiring between those two dates substantial pension increases compared with the entitlement at present salary rates, and would also prevent those at the top salary levels having a much higher immediate salary increase than those at the lower.

If the Cabinet approved these proposals, the Prime Minister would announce the Government's decisions that afternoon by means of a Written Answer. A draft text was annexed to C(85) 19.

THE SECRETARY OF STATE FOR DEFENCE said that he accepted the need to stage the proposed increases for senior members of the armed forces so that their cost in 1985-86 was in line with that already agreed for the lower grades and ranks in the armed services. The staging proposed, however, would be very unfair to the small group of most senior Service officers due to retire between 1 July 1985 and 28 February 1986, whose superannuation entitlement was geared to their last day in service. They would suffer substantial and arbitrary losses of lump sum and pension entitlement that were not in accordance with the Review Body's recommendations. He therefore favoured the third option that had been considered, under which the recommended rates less 2 percentage points would be paid from 1 July 1985, and the balance from 1 March 1986.

In discussion, the following main points were made

- a. Senior Service officers and others retiring between 1 July 1985 and 28 February 1986 would still benefit from substantial lump sum and pension increases and, in relevant cases, from the November uprating of public service pensions. Any concession, such as deeming the proposed salary increases to have come into notional effect from an earlier date for superannuation purposes, would

create the most serious problems with nurses and other categories already similarly affected, and it would be wrong to make any exception.

b. Although the Review Body's recommendations were based on considerations of recruitment, retention, morale and motivation, and not on the concept of comparability, it was right to bear in mind the rewards available to people in jobs of comparable responsibility outside the public service. Unless the public service offered the prospect of a career structure with a reasonable salary it would be even more difficult than at present to recruit and retain people of the right quality to fill the top posts.

c. The implications of the proposed increases, and the justification for them, would need to be borne in mind in relation to Board members of the nationalised industries, whose differentials were small or non-existent, and teachers, where the National Union of Teachers had opposed any increase in differentials for heads and deputies and teachers in science and mathematics.

d. Although it was reasonable to retain the principle of payment at a higher level for the Head of the Home Civil Service, Secretary of the Cabinet, Permanent Secretary to the Treasury, and Permanent Under Secretary, Foreign and Commonwealth Office (who would continue to be linked with the Permanent Secretary to the Treasury and the Secretary of the Cabinet), it was not easy to justify the Review Body's proposal for an intermediate higher salary for the Permanent Secretaries of the Ministry of Defence, Home Office and Department of Health and Social Security. Neither considerations of management responsibility nor of other pressures seemed to warrant this. The creation of such an intermediate grade might also impede future transfers between Permanent Secretaries, although it would be possible to maintain existing salaries on a personal basis. If this proposal were rejected, the salary of the Comptroller and Auditor General should also remain linked to that of ordinary Permanent Secretaries.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet approved the proposals set out in C(85) 19, subject only to rejection of the Review Body's recommendation for salary differentiation for the Permanent Secretaries of the Ministry of Defence, Home Office and Department of Health and Social Security. They also agreed that the salary of the Comptroller and Auditor General should be linked to that of ordinary Permanent Secretaries. She would announce the Government's decision that afternoon by means of a Written Answer.

The Cabinet -

1. Approved the proposals in C(85) 19, subject to rejection of the Review Body's recommendation for salary differentiation for the Permanent Secretaries of the Ministry of Defence, Home Office and Department of Health and Social Security.

2. Agreed (subject to the view of the Public Accounts Commission) that the salary of the Comptroller and Auditor General should be linked to that of ordinary Permanent Secretaries.

3. Took note that the Prime Minister would announce the Government's decision that afternoon by means of a Written Answer, and approved the text annexed to C(85) 19, subject to an appropriate amendment to reflect their decision on salary differentiation for Permanent Secretaries.

Cabinet Office

18 July 1985