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Conclusions

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CABINET

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

THURSDAY 28 NOVEMBER 1985

at 10.30 am

PRESENT

The Hon Margaret Thatcher MP Prime Minister

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 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 Norman Fowler MP Secretary of State for Social Services

The Rt Hon Tom King MP Secretary of State for Northern Ireland

The Rt Hon Nicholas Ridley MP Secretary of State for Transport

The Rt Hon Kenneth Baker MP Secretary of State for the Environment The Rt Hon Lord Hailsham of St Marylebone Lord Chancellor

The Rt Hon Leon Brittan QC MP Secretary of State for Trade and Industry

The Rt Hon Douglas Hurd MP Secretary of State for the Home Department

The Rt Hon Peter Walker MP Secretary of State for Energy

The Rt Wood George Younger MP Secretary of State for Scotland

The Rt Hon John Biffen MP Lord Privy Seal

The Rt Hon Norman Tellit MP Chancellor of the Duent of Lancaster

The Rt Hon Michael Jopline MP Minister of Agriculture Pheneries and Food

The Rt Hon Lord Young of Graffiam Secretary of State for Employment

The Rt Hon Kenneth Clarke QC Mi Paymaster General

The Rt Hon John MacGregor MP Chief Secretary, Treasury

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THE FOLLOWING WERE ALSO PRESENT

The Remove John Wakeham MP Parliamentary Secretary, Treasury

Mr Antony Newton MP Minister of State, Department of Health and Social Security (Item 5)

SECRETARIAT

Sir Robert Armstrong Mr D F Williamson (Items 3 and 4)
Mr C L G Mallaby (Items 1-4)
Mr J B Unwin (Item 5) Mr J B Unwin (Item 5)
Mr A J Langdon (Items 1 and 5)

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PARLLAMENTARY

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week. They were also informed of proposals for handling forthcoming Government business (notably the Shops Bill and the Okehampton Bypass (Confirmation of Orders) Bill) in the House of Lords.

NORTHERN IRELAND AFFAIRS

Previous
Reference:
CC(85) 33rd
Conclusions,
Minute 2

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that, following the conclusion on the previous day of the debates on the Anglo-Irish Agreement in the House of Commons and the House of Lords, the Members of Parliament for the Unionist Parties apparently intended to resign from the House by 1 January 1986 in the hope of having 15 by-elections on a single day in February 1986, as a substitute for a referendum on the Agreement. There would be unionist pressure on the Government to take no action to implement the Anglo-Irish Agreement until the by-elections had taken place. It would be argued that this would be a suitable response by the covernment to the choice by Unionist politicians of constitutional and democratic methods of opposing the Agreement. The situation in public order in Northern Ireland was for the time being quiet.

In discussion it was arread that the Government could not accept that by-elections would be represented to referendum. The Agreement had been decisively approved in both Rouses of Parliament, and any apparent delay in implementation would be seen as weakness in the face of Unionist intransigence. Arrangements had been made for the United Kingdom and Irish notifications of acceptance of the Agreement, which would bring the Agreement into force, to take place on 29 November. The way would then be clear for the first meeting of the Intergovernmental Conference, which might take place around mid-becomber. That might mean that the second and perhaps the third meetings of the Conference would take place before the by-elections. The Government should try in these early meetings of the Conference to make a try in securing enhancement of cross-border co-operation on security metres, as a means of convincing unionist opinion that the Agreement could bring benefits.

In the course of discussion the following points were also made -

a. Mr Ian Paisley and Mr Peter Robinson of the Democratic Unionist Party (DUP) had written to the Charge for of the Exchequer to apply for the Stewardships of the Chiltern Hundreds and of the Manor of Northstead with effect from 1 January 1986. It was clear that Unionist Members of Parliament applying in the touse of Commons until the date on which they were appointed to such offices. It was also clear that a number of Members could resign in this way on a single day. Whatever their view of the way Unionist Members of Parliament were acting, the Government should allow the established procedures to take their course.

b. The claim of Unionist leaders that the by-elections would amount to a referendum on the Anglo-Irish Agreement might most effectively be shown to be spurious if no candidates other than Unionists were to stand. But it would be hard for the Government to seek to bring about such a situation. Mr John Hume, the leader of the Social Democratic and Labour Party, would apparently be leaving to local branches of his party the question whether to put up candidates. Mr Peter Robinson of the DUP had said that, if candidates of other parties did not stand, the Unionist Parties might put up dummy opponents. The best approach for the Government seemed to be to allow events to take their course.

c. Was desirable to devise a method for consulting Unionist leaders about the work of the Intergovernmental Conference. The chosen method should take account of the fact that some of the matters to be discussed in the Conference would have to be kept confidential. Unionists could not be given a real or apparent right of voto on decisions which the Government might wish to take following discussion in the Conference. It would be necessary to inform the prist Government before any announcement, of the method favoured by the Government for consulting Unionists. Reports by Ministers to parliament about the work of the Conference might be made periodically beather than after every meeting. Consultation with Unionist leaders on selected matters discussed in the Conference might beat take place after meetings of the Conference and before decisions were taken by the Government. This would appropriately emphasize the provision in the Agreement that decisions were the precordive of the United Kingdom Government.

- d. The Government should continue to make in public the case in favour of the Anglo-Irish Agreement. There should be a major effort to reassure unionists especially moderate unionists. Ministers concerned with Northern Ireland affairs would of course continue to visit the Province. But visits by other Ministers to address public audiences there were probably inadvisable at present. Other Ministers should, however, broadcast to Northern Ireland on radio and television, as well as making speeches in Great Britain.
- e. The point made by the Secretary of State for Northern Ireland in the debate in the House of Commons on 27 November that the Government actively wanted Northern Ireland to remain part of the United Kingdom was one that was likely to appeal particularly to moderate unionist opinion. It could be repeated in speeches by Ministers.
- f. One of the major criticisms of the Agreement on the part of moderate unionists was that it had been concluded in secrecy. The Government had already made clear that international negotiations of this kind were bound to be confidential. The Government could add that it had been widely known in Northern Ireland for a year before conclusion of the Agreement that one possibility was the establishment of machinery through which the Irish Republic could

advance views. The previous Secretary of State for Northern Ireland had on a number of occasions commented publicly on this point during that period. It was also true, although this could not be said publicly, that Mr James Molyneaux and Mr Enoch Powell of the Ulster Unionist Party had been offered briefing about the negotiations on Privy Counsellor terms and had declined the offer.

g. It would be helpful if Ministers would consider whether there were things that their Departments could do which would be welcome to the community in Northern Ireland. The Secretary of State for Northern Ireland could count on the co-operation of the Lord Charcellor in connection with any discussion in the Intergovernmental Conference of judicial and legal matters. It would be helpful if Roman Catholic leaders in the Province could be percented that Roman Catholics who were offered positions as Justices of the Peace should at least reply to such offers rather than merely ignore them, as had often happened in the past.

THE PRIME MINISTER, summing up the discussion, said that the exchange of notifications, which would bring the Anglo-Irish Agreement into force, should proceed as larned on 29 November. The Government should also proceed, without precipitate haste, with the first meeting of the Intergovernmental Conference. The date and location of the first meeting of the Conference should be kept confidential as long as possible. Further consideration should be given to methods of consulting leading Unionists about aspects of the work of the Conference and the Irish Government should undertake a major continuing effort to reassure unionist opinion about the Agreement. A brief for this purpose should be provided to Ministers by the Northern Ireland Office. The Government should not seek to interprete in the process whereby Unionist Members of Parliament would resign their seats and seek re-election.

The Cabinet -

Invited the Secretary of State for Worthern Ireland to be guided by the Prime Minister summing up.

FOREIGN
AFFAIRS
--South Africa
Previous
Reference:
CC(85) 32nd
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that violence was continuing in South Africa at a level at least as high as in recent months. The establishment of the Eminent Persons crow of the Commonwealth had passed off better than might have been expected. The members in addition to Mr Malcolm Fraser of Australia, General Olusegun Obasanjo of Nigeria and Lord Barber of the United Kingdom, would be Dame Nita Barrow of Barbados, Mr John Malecela of Tanzania, Mr Averan Singh of India and Archbishop Edward W Scott, the Primate of the Anglican Church of Canada. Following representations by the Government the Commonwealth Secretariats announcement of the membership of the Group had been cast in uncontentious terms. The fact that the reaction of the South African Government had not been entirely dismissive of the Indiana

Persons Group was to be attributed to the Prime Minister's stand against mandatory sanctions at the Commonwealth Heads of Government meeting in October. The work of the Eminent Persons Group would be very difficult, and the Government would keep in close touch with Lord Barber. The Commonwealth Accord gave the Group six months from its actual establishment to do its work. Pressure for sanctions should be tainable during that period.

Hijacking of Egyptair Aircraft to Malta

THE POREIGN AND COMMONWEALTH SECRETARY said that no Britons had been on board the Tayptair aircraft which had been hijacked to Malta on 23 November. Egypt had blamed dissident Palestinians backed by Libya. There was some evidence of Libyan complicity but it was not conclusive. The Government had commended the decision of the Maltese and Egyptian Governments to stand firm against terrorism. Hostages held on the aircraft had said since the event that the situation had been deteriorating rapidly just before the assault on the aircraft, which resulted in 60 deaths, had been made. As always in such cases, the choice of the timing for the assault must have been very difficult. It could not be assumed that the weapons used by the hijackers had been loaded on to the aircraft at Athens airport, where security had improved recently. Weapons could be introduced at airports where aircraft were serviced but passengers that not board the flight. This aircraft had started at Cairo. The Government had, however, kept in close touch with the Maltese Government during the crisis.

Uganda

Previous Reference: CC(85) 28th Conclusions Minute 1 THE FOREIGN AND COMMONWEALTH SECRETARY said that the protracted talks involving the Government of Uganda and the National Resistance Army appeared to be close to a conclusion. Kenya had played an effective leading role in the negotiations. The covernment had made clear that the United Kingdom would not become involved in monitoring the implementation of an agreement. But a senior army officer had been sent to the area to advise on further steps which the United Kingdom could take, for instance in the field of aid.



United National Debate on the Falklan Islands

Previous
Reference:
CC(85) 33rd
Conclusions,
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the vote on the Argentine draft Resolution in the United Nations General Assembly on the previous day had been disappointing. The terms of the draft Resolution had been less specific than in the past, but a call for negotiations about the sovereignty of the Falkland Islands had been clearly implied and there had been no mention of the principle of self-determination. United Kingdom had put forward amendments to the draft Resolution, WHi would have introduced references to self-determination. These mendments had not been carried out. The vote on the amendments to the operative section of the draft Resolution had been 36 for the amendments, 57 against and 47 abstentions. The number of votes for the Resolution itself had risen from 89 in 1984 to 107 in the present year; the votes against it had fallen from 9 to 4 and abstentions had fallen from 54 to The United Kingdom had been joined in voting against the Resolution by Belize, Oman and the Solomon Islands. The present year's. vote reflected widespread loss of interest at the United Nations in opposing the superficially innocuous Resolutions through which Argentina sought to advance her interests, despite strenous diplomatic efforts to maximise votes against, or at least abstentions in, the Resolution. It would be for consideration what policy should be followed by the United Kingdom Government (10) 86.

In a brief discussion of the case pointed out that the states which in the present year had altered their vote from abstention to support for the Resolution included three members of the European Community - France, Italy and Greece. It was it and regrettable that this should have happened shortly before the meeting of the European Council at which the adoption of a Treaty on Poltical Co-operation was proposed. France would no doubt seek to derive commercial advantage, notably in Latin America, from the way she had voted.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS
Latergovernmental
Conference

Previous Reference: CC(85) 33rd Conclusions, Minute 4 4. THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been a further session of the Intergovernmental Conference on 25-26 November and Foreign Ministers would be meeting again on the weekend of 30 November to 1 December before the European Council. On the substance France and the Federal Republic of Germany were continuing to support a position close to our own. Some other member states, in particular Italy, were looking for a larger package and were received some support from the Commission. The Presidency texts were not yet from itsed but in most respects represented a position which was tolerable for the United Kingdom. Much, however, could still happen before the European Council on 2-3 December. He would be seeing Mr Lubbers, the Dutch Prime Minister, and Mr Santer, the Luxembourg Prime Minister and current President of the European Council, on 29 November. The recent discussions between the Prime Minister and the Federal German Chancellor, Herr Kohl, had shown that Herr Kohl was at present taking

firm line against the Commission's proposals on monetary issues. In discussion it was pointed out that the United Kingdom needed to ensure that the form of the reference to persons within the internal market did not extend the definition of persons beyond what was already in the Buropean Community Treaty and did not adversely affect the United Kingdom's own position on third country nationals. These points had been clearly registered in the discussions so far. It was also pointed that it was essential that the United Kingdom should maintain protection for its regimes on human, animal and plant health. It would be important not to forfeit the advantage that accrued from being an island not only in maintaining a high standard of health within the United kingdom but also in making possible animal and plant exports dependent on health status. The need to protect these measures was part of the mandate for the Intergovernmental Conference. It was also stated that the United Kingdom should not accept proposals intended to whittle away the requirement for unanimity on tax matters. On this question the Federal Republic of Germany was also taking a strong line.

Relations With Mediterranean Countries

THE FOREIGN AND COMMONICALTH SECRETARY said that the Council of Ministers (Foreign Affairs) on 25-26 November had reached agreement on a mandate for negotiating with Mediterranean countries following the enlargement of the Community to include Spain and Portugal. In discussion it was said that the enlargement of the Community gave an opportunity to strengthen the United Kingdom's relationship with Spain. France was already seeking to consolidate a special relationship with Spain. The Spanish Government, however, was not anxious to be caught in the French embrace. In the lower term an improved relationship between the United Kingdom and Spain, which was an important and expanding economy, could also open up wider opportunities in South America. The State Visit of the King and Queen of Spain to the United Kingdom next year would provide a significant opportunity of strengthening the Anglo-Spanish relationship.

Trade with the United States: Steel

Previous Reference: CC(85) 33rd Conclusions, Minute 4 THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that, because of the problem of semi-finished steel products, the United Kingdom had maintained its reserve on the agreement reached ad referendum between the Community and the United States on restrictions on Community exports of steel to the United States. The situation on community exports however, now seemed more promising. The United Kingdom might receive sufficient assurances to make it possible to accept the arrangement. Discussions, however, were still continuing.

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Previous Reference CC(85) 337 Conclusions Minute 4 THE CHANCELLOR OF THE EXCHEQUER said that the Council of Ministers (Budget) on 26-27 November, at which the United Kingdom had been represented by the Minister of State, Treasury, had considered the amendments which the European Parliament had proposed to the Community waft budget for 1986. The position which the United Kingdom had concerted earlier with France, the Federal Republic of Germany and the interlands had not been sustained by those member states. The Council greed by qualified majority, with the United Kingdom voting against, to an increase of about 1.25 billion ecu (about £735 million). This was substantially below the level proposed by the European Parliament. It was satisfactory that the financial guideline on agricultural spending was still respected. The decisions on other expenditure however, were difficult to reconcile with budgetary discipline. It was difficult to foresee whether the European Parliament would redistate its proposed amendments and whether in the end the President of the European Parliament might sign the budget despite the disagreement of the Council. Such a budget could be challenged in the European Court as of legally adopted. In discussion it was pointed out that in such circumstances the United Kingdom would need to consider its own legal position in contributions to the budget. The manner in which the European Parliament was using its position in budgetary matters did not reflect well on the decision to give it this power.

The Cabinet -

Took note.

SOCIAL SECURITY REVIEW

Previous
References:
CC(85) 15th
Conclusions,
Minute 7, and
CC(85) 16th
Conclusions,
Minute 4

5. The Cabinet considered a memorandum by the Secretary of State for Social Services (C(85) 27) on the Review of Social Security: Final Decisions. Their discussion and the Conclusions reached are recorded separately.

Cabinet Office

28 November 1985

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LIMITED CIRCULATION ANNEX

CC(85) 34th Conclusions, Minute 5

Thursday 28 November 1985 at 10.30 am

SOCIAL SECURITY REVIEW

Previous
References:
CC(85) 15th
Conclusions,
Minute 7, and
CC(85) 16th
Conclusions,
Minute 5

The Cabinet considered a memorandum by the Secretary of State for Social Services (C(85) 27) about the Review of Social Security: Final Decisions.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the Green Paper "Reform of Social Security" (Cmnd 9517) published in June had elicited more than 7,000 responses. He had devised certain modifications to the Green Paper proposals in the light of this consultation, and these had been agreed by the Ministerial Group on Social Security. He was now seeking the agreement of Cabinet to these changes, and to the publication of the revised proposals in a White Paper, which should be published before Christmas. The draft of the White Paper had been circulated to Cabinet members the previous day: in order to meet the publication timetable it would be necessary for him to receive any comments on it no later than 3 December. The Social Security Bill would be introduced in the House of Commons early in the New Year, and it was important that it should receive its Second Reading by the end of January.

The main change to the earlier proposals was on pensions. The Green Paper proposal for the abolition of the State Earnings Related Pension Scheme (SERPS) had run into considerable opposition from quarters that the Government would prefer to have on its side. Among those who opposed abolition were the Confederation of British Industry, the National Association of Pension Funds, major insurance companies and the main consumer bodies. There was, however, a large measure of agreement that the emerging cost of SERPS had to be reduced. He now proposed that this should be done by modifications that would, in particular, put SERPS pensions on a basis of 20 per cent of average lifetime earnings (rather than the present provision of 25 per cent of the best 20 years' earnings); would limit to 50 per cent the amount of a SERPS pension that could be inherited by a surviving spouse; and would transfer to contracted-out schemes the responsibility for inflation-proofing contracted-out pensions up to 3 per cent a year. As previously proposed, nobody retiring this century would be affected: after the year 2000 there would be a transitional phase. The savings would be about £12 billion in 2033 (at November 1985 prices). The complementary aspect of his proposals would be to encourage contracted-out and

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personal pensions by enabling "money purchase" schemes to contract out; by providing a new right for all employees to opt for a contracted-out personal pension; by providing a special 2 per cent bonus to the contracted-out rebate for new occupational schemes and personal pension tolders during a five-year period; and by requiring occupational schemes allow employees to make additional voluntary contributions.

He did not propose any significant changes to the structure of the proposed reforms of income-related benefits. The main elements set out in the Green Paper were the replacement of supplementary benefit by a simpler scheme of income support with special payments dealt with through a discretionary social fund; the replacement of family income supplement by a scheme of family credit paid through the wage packet; the simplification of housing benefit; and the recognition that everybody should make a contribution to their rates. Whilst the co-ordination and presentation of the last of these points with the proposals for local government finance reform would still need careful attention, he was proposing only minor changes to the Green Paper proposals, and nothing that touched any points of principle. The tables that he had circulated should that assistance would be focused as intended on the disabled and on poor families with children, and the tables illustrating the cash position at the point of change showed that the impact on individuals, measured in that way, would be sustainable.

The changes to housing benefit, pensions and family credit would put a heavy administrative burden on local authorities and employers, and it was now clear that the main reforms could not be implemented by April 1987 as the Green Paper had suggested. The implementation date that he now proposed for the main proposals was April 1988, subject to earlier implementation of some measures as agreed in the Ministerial Group on Social Security and the Ministerial Group on Public Expenditure.

In discussion the following main points were made -

- a. The main implementation date now lay beyond the likely life of the present Parliament. Public perception of the measures by the end of the Parliament would not therefore be conditioned by actual experience of the measures in operation, and it was essential that the White Paper, and especially the promised figures contained in it, were presented in a way that favourably conditioned the debate.
- b. The pensioners who stood to lose most under the proposals were probably those who were affected by the proposed introduction of a £6,000 capital test for housing benefit. They were, therefore, not the most vulnerable group. The published exemplifications should be constructed to bring out this and similar points.
- c. As the Social Security Bill would not receive its Second Reading until the end of January 1986, Royal Assent could certainly not be assured before the end of July 1986. Royal Assent in the

overspill period after the Summer Recess was more probable and would be acceptable from the point of view of timing of implementation.

- The requirement that every ratepayer should pay at least 20 per cent of his rates raised some difficult problems of co-ordination and presentation with the proposed reform of local government finance. The social security reforms, including the minimum 20 per cent payment of rates and the simplification of housing benefit, would be implemented in April 1988, whilst, under the proposals currently under consideration in the Ministerial Group on Local Authority Finance, a new domestic local charge levied on individuals would probably not begin to be phased in to replace rates, at any rate in England and Wales, before 1990. A power to rebate the new charge (which would apply to many more people than the present number of ratepayers) might well be needed, though the charge might begin at relatively low levels. There were clearly many transitional issues to be resolved, and these might present themselves in a different way as between Scotland and the rest of the United Kingdom if Scottish legislation on local government finance reform was implemented on a faster timetable.
- e. At the present stage, the essential point was that the White Paper on Social Security should deal with the requirement for a minimum contribution to rates in a way that did not close any of the options for the Local Government Finance Green Paper, due to be published before Second Reading of the Social Security Bill.

The Prime Minister, summing up the discussion, said that Cabinet approved the proposals made by the Georetary of State for Social Services (including the detailed proposals in Annexes A and B to C(85) 27). Cabinet also approved the publication in mid-December of a White Paper embodying these decisions. Members of the Cabinet who had comments on the text of the draft White Paper should communicate them to the Secretary of State for Social Services no later than 3 December. Consideration should be given to the possibility of imposing a new duty on local authorities to enforce the rents and rates to which they were entitled. The presentation of the figures of exemplification in the White Paper would be of great importance, and the White Paper should be drafted in a way that enabled the interaction with the local government finance reform proposals to be positively presented when the Green Paper on Local Government Finance appeared in January. The Secretary of State for Social Services should consult with the Chancellor of the Exchequer and the Secretaries of State for the Environment, Scotland and Wales on these issues.

CONCLUSIONS

The Cabinet -

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

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- 2. Approved the proposals in the memorandum by the Secretary of State for Social Services (C(85) 27) for changes to the Green Paper proposals for the reform of social security, and invited the Secretary of State for Social Services to arrange for the publication of a White Paper embodying these decisions in mid-December.
- 3. Invited the Secretary of State for Social Services, in consultation with the Chancellor of the Exchequer and the Secretaries of State for the Environment, Scotland, Wales and Northern Ireland as appropriate, in preparing the White Paper, to pay particular attention to the exemplification tables that were published and to the presentation in the White Paper of the interaction with the proposals for local government finance reform.
- 4. Took note that any members wishing to comment on the draft text of the White Paper should communicate with the Secretary of State for Social Services no later than 3 December.

Cabinet Office

29 November 1985

