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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
TUESDAY 25 MARCH 1986
at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Viscount Whitelaw
Lord President of the Council

The Rt Hon Lord Hailsham of St Marylebone
Lord Chancellor

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 Douglas Hurd MP
Secretary of State for the Home Department

The Rt Hon Sir Keith Joseph MP
Secretary of State for Education and Science

The Rt Hon Peter Walker MP
Secretary of State for Energy

The Rt Hon George Younger MP
Secretary of State for 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 Fowler MP
Secretary of State for Social Services

The Rt Hon Norman Tebbit MP
Chancellor of the Duchy of Lancaster

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 Lord Young of Graffham
Secretary of State for Employment

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment

The Rt Hon Kenneth Clarke QC MP
Paymaster General

The Rt Hon John MacGregor MP
Chief Secretary, Treasury

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Michael Havers QC MP
Attorney General

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

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SECRETARIAT

Sir Robert Armstrong
Mr C L G Mallaby (Items 2 and 3)
Mr J B Unwin (Item 4)
Mr A J Wiggins (Item 4)
Mr A J Langdon (Item 1)
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 week beginning 8 April 1986.

Scottish
Teachers'
Inquiry

THE SECRETARY OF STATE FOR SCOTLAND said that all those invited to serve on the inquiry into the pay, duties and conditions of service of Scottish teachers had now accepted, and he proposed to announce the inquiry's composition by Written Answer the following day.

Previous
Reference:
CC(86) 10.1

Criminal
Legal Aid

THE LORD CHANCELLOR said that the Bar's case against him in respect of payments for barristers' services under the Criminal Legal Aid Scheme had opened the previous week before the Lord Chief Justice. The Bar had argued that they had been denied their legitimate expectations of consultation and of expeditious handling of the matter. These arguments had appeared to find some favour with the Lord Chief Justice, who had adjourned the hearing with an indication that he would like to see a timetable for discussion agreed between the two sides. Agreement to such a timetable would not involve the payment of any money on account or any commitment for an increase over and above the 5 per cent which had already been offered. The Bar's suggestion was for a timetable involving a decision by him by 16 July, which would be in time for the Annual General Meeting of the Bar on 26 July. This would be a tight timetable and the resolution of the issue was complicated by the analogous problems with the payment of solicitors, the complementary discussions on payment for work undertaken for the new Crown Prosecution Service and, in the background, the need to consider the implications for civil legal aid. Nevertheless, there seemed in the circumstances to be no realistic alternative to his accepting the timetable.

THE PRIME MINISTER said that the Cabinet noted that the timetable involved no commitment to a higher offer and were content for it to be agreed on that basis. A co-ordinating committee of officials was to be set up to oversee the handling of the Government side of the discussions with the Bar: the Department of Employment and the Treasury should be involved in this.

The Cabinet -

1. Took note.

Easter Recess

THE PRIME MINISTER reminded colleagues that a Minister should be on duty in each Government Department during the Easter Parliamentary Recess, to

speak as necessary in public for the Department in question. One Cabinet Minister should also be on duty each day. Advantage should be taken of opportunities to issue positive statements during the Recés.

The Cabinet

2. Invited the Lord President of the Council to co-ordinate arrangements for Ministers to be on duty during the Recess

FOREIGN
AFFAIRS

Libya

Previous
Reference:
CC(86) 6.2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the President of Libya, Colonel Qadhafi, had for many years claimed a large area of the Gulf of Sirte as Libyan territorial waters. This claim was not accepted by the United States or the United Kingdom or by the international community. It was United States policy to assert the right of passage in international waters. In 1981 the United States had shot down two Libyan aircraft over the Gulf of Sirte. Since then, units of the United States armed forces had entered the area claimed by Libya on seven occasions. The present United States military exercise in the area was larger than earlier ones. It had begun on 23 March. The United Kingdom had been notified on 22 March. Late on 24 March, Libya had fired six SA5 missiles from batteries on the shore, which had missed the United States aircraft. The United States had then attacked two missile sites and had sunk a Libyan fast patrol boat bearing missiles. The United States had warned that any Libyan forces approaching United States forces would be treated as hostile. Libya had informed Italy and Spain that United States bases in those countries could be at risk. The Soviet reaction had so far consisted of public criticism of United States actions. The Arab countries were already giving verbal support to Colonel Qadhafi and were likely to continue to do so.

The United States action in asserting the right of passage in international waters and of exercising the right of self-defence was fully justified in law. Its political effects might, however, be mixed. It would be suggested that the United States, by engaging in a major exercise in the area, had been seeking to provoke Libyan retaliation. International reaction might be perverse: Colonel Qadhafi might gain in stature from the affair, as well as securing widespread Arab support.

There were 1,000 United States subjects in Libya and 5,000 British subjects. There was no reason in present circumstances to expect action against the British community. There might also be no action against the American subjects, whom Colonel Qadhafi would regard as defying the United States policy that American citizens should leave Libya.

There was a risk, however, that the situation would escalate. One serious possibility was that Libya would mount or encourage terrorist attacks as a means of retaliation.

The United Kingdom reaction to the events in the Gulf of Sirte should be to state that the Libyan claim to territorial sea in the Gulf of Sirte was without foundation, that the United States had been justified in upholding the right of free passage and that the United States reaction against the use of force by Libya was justified as self-defence. It might be desirable to qualify the last point by speaking of the need for reactions to Libya's use of force to remain proportionate.

THE PRIME MINISTER, summing up a short discussion, said that the Government's public statements must avoid any appearance of siding in this matter with Colonel Qadhafi. The Government should endorse the right of the United States to maintain freedom of movement in international waters and airspace and the right to self-defence under Article 51 of the United Nations Charter. There was a possibility that Libya would inspire terrorist attacks against British interests or United States bases in the United Kingdom.

The Cabinet

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Home Secretary to arrange for precautions to be taken against the risk of terrorism inspired by Libya in the United Kingdom.

NORTHERN
IRELAND
AFFAIRS

Extradition
Case: Miss
Evelyn Glen-
holmes

3. THE HOME SECRETARY said that he had made a statement in the House of Commons on the previous day on the difficult question of the failure to secure extradition from the Irish Republic of Miss Evelyn Glenholmes, who was suspected of involvement in a number of acts of terrorism by the Provisional Irish Republican Army. The failure to secure extradition in court hearings in Dublin at the end of the previous week had arisen essentially from three factors. First, a revised warrant for the arrest of Miss Glenholmes, which had been issued in November 1984, had been prepared without the magistrate in the United Kingdom having required that the relevant information be formally laid before him for a second time. Second, the court in Dublin had refused a request, which normally would be considered reasonable, for a delay to allow the difficulty about the warrant to be settled and a revised warrant prepared. Thirdly, the Dublin court had not been satisfied, on the evidence of telephone conversations between the authorities in Dublin and London, that a further warrant had been issued in London. The Irish Government could not be blamed for the actions of the Irish courts, and he had been careful in his statement to the House of Commons to avoid criticism of the Irish Government. Had the request for extradition been upheld in the Dublin district court, Miss Glenholmes would probably have pleaded in the High Court in the Irish Republic that the alleged offences were

political. Since the Irish Republic had only signed, and had not yet ratified, the European Convention on the Suppression of Terrorism, such a plea might well have been accepted.

THE ATTORNEY GENERAL said that the court in Dublin had been justified in finding a flaw in the warrant dating from November 1984. But the reasons given by the court in refusing to allow time for a new warrant to be produced had been far from convincing. He planned, if he had to answer a Private Notice Question on this matter to reveal that the Director of Public Prosecutions (DPP) had informed him that disciplinary proceedings would be instituted against the senior official who had made the serious mistake of allowing the warrant of November 1984 to be flawed. If no Private Notice Question needed to be answered, the DPP would himself announce this by lunchtime that day.

The Situation in Northern Ireland

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that there was continued unionist opposition to the Anglo-Irish Agreement of 15 November 1985. The Northern Ireland Assembly was being misused by unionist members. Eighteen of the 26 District Councils in Northern Ireland were suspended. The Government had intervened to set rates as necessary, without making use of the powers that had been taken to appoint Commissioners for this purpose. Following the by-elections in Northern Ireland on 23 January and the Prime Minister's meeting with the leaders of the Ulster Unionist Party (UUP) and the Democratic Unionist Party (DUP) on 25 February, there had been talk of a loyalist campaign of civil disobedience to make Northern Ireland ungovernable. There were no signs that this was in prospect at this stage. On 3 March, however, there had been a "day of action", involving much intimidation to persuade people to stay away from work. One effect of this event had been that some people in the loyalist paramilitary groups now thought that it might be possible to obstruct life in the Province. Another effect had been that many unionists had been shocked by the intimidation and were now more definitely opposed to illegal action and more interested in talks with the Government. The Prime Minister's letters of 21 March to the leader of the UUP, Mr James Molyneaux MP, and of the DUP, Mr Ian Paisley MP, had been received by them on 24 March. The letters had made clear that the Government would not suspend the Anglo-Irish Agreement but was willing to talk with the unionist leaders on a range of subjects. The letters had not been published, so as to reduce the risk that Mr Molyneaux and Mr Paisley would be forced by their supporters to return a negative answer. The joint response from the two leaders had been that the Prime Minister's letters were disappointing and that they would need to consult their colleagues before giving a definite reaction. This was the best response from Mr Molyneaux and Mr Paisley that could have been expected.

There would be significant events in Northern Ireland during the Easter holiday. Roman Catholics would be marking the 70th anniversary of the Easter Uprising by a march on Easter Sunday at Carrickmore. This could be a difficult event for the police to control. On the Protestant side,

there would be three marches by the Apprentice Boys of Londonderry on Easter Monday. The key event would be in Portadown, where the marchers would probably wish to march through a strongly Roman Catholic area known as "the tunnel" from which the police had debarred them when they last marched in Portadown. It appeared that 1,000-1,500 Apprentice Boys would travel from Belfast to Portadown for the march and that 500 to 1,000 others, who might be potentially more prone to violence, might join them. The Ulster clubs, which had been formed to promote opposition to the Anglo-Irish Agreement, might be involved. The marchers appeared to be considering three routes, of which two would pose difficulties for the police. The Royal Ulster Constabulary now felt that their policy of avoiding contact with Protestant participants of the "day of action" on 3 March had been inadequate. They were determined to control the march at Portadown effectively and were confident of being able to do so. Given the rather low participation that was expected, this confidence was no doubt justified.

In a short discussion, it was noted that the advertisement correcting misrepresentations of the Anglo-Irish Agreement which the Northern Ireland Office had placed in newspapers in Northern Ireland on 20 March had had a useful effect: consideration was being given to placing another advertisement. It was noted that there were signs that some unionists wished to carry their political opposition to the Anglo-Irish Agreement into Great Britain. An Ulster candidate would be standing in the forthcoming by-election at Fulham but was unlikely to win a significant number of votes. A unionist march was being arranged for 5 April in Bridgwater, the constituency of the Secretary of State for Northern Ireland. There were also signs of possible moves in Liverpool and in Glasgow.

The Cabinet -

Took note.

BRITISH
LEYLAND: LAND
ROVER-LEYLAND

4. The Cabinet considered a note by the Secretary of the Cabinet (C(86) 10) on Land Rover-Leyland.

The Cabinet's discussion and the conclusions reached are recorded separately.

Previous
Reference:
CC(86) 12.1

Cabinet Office

25 March 1986

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CABINET

LIMITED CIRCULATION ANNEX

CC(86) 13th Conclusions, Minute 4

Tuesday 25 March 1986 at 10.30 am

BRITISH
LEYLAND: LAND
ROVER-LEYLAND

Previous
Reference:
CC(86) 12.1

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY introduced the discussion of the report of the Ministerial Group on Land Rover-Leyland (MISC 126) (C(86) 10). He said he had had extensive discussions with General Motors (GM) with the objective of reaching a compromise which would secure the main benefits of the Salton proposals while retaining a controlling United Kingdom interest in Land Rover. It had eventually become clear that GM would insist on an arrangement which would give them immediate control of Land Rover, both as regards management and strategy, and would acknowledge explicitly that they would achieve majority ownership of Land Rover in the very near future. He had told GM that he was unable to recommend such an arrangement to colleagues. He had asked whether GM would be prepared to consider a deal restricted to Freight Rover and Leyland Trucks, but they had rejected this. The British Leyland (BL) Board, which Mr Graham Day, the Chairman-designate, would shortly be joining, should now be invited to make recommendations to the Government about the future of the Land Rover-Leyland (LRL) businesses in the light of the other bids they had received and of other possible routes towards the privatisation of Land Rover on a realistic timescale. It was doubtful if the bid from Lancashire Enterprises Limited in respect of Leyland Trucks would have the necessary financial strength; but the BL Board would need to be seen to consider this offer, as well as other possibilities, in making further recommendations to the Government. Meanwhile negotiations on the disposal of Leyland Bus and Unipart were continuing separately.

In discussion the following main points were made -

- a. The original Salton proposals and the variations subsequently put to GM were preferable on balance from the commercial, industrial and employment standpoints to all the other alternatives, although no solutions to the problems of the commercial vehicle industry were without some specific disadvantages. But the Government had to take account of political constraints, and in view of the events of recent days there could be no question now of reverting to the Salton deal, although nothing should be done now to rule out further discussions with GM in advance of the review of the options for LRL.

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b. The Government's aim should be to establish a private sector company with assured long-run viability from the LRL businesses. While consideration should be given to the separate privatisation of different businesses, the risk that these could prove vulnerable to undesired take-over would need to be borne in mind in deciding the best way forward towards the Government's objective.

The Government would need to have regard to the interests of minority private shareholders, and the legal requirement to treat them fairly, in reaching decisions on the future of the LRL businesses. No decisions could or should be reached until the Government had received the recommendation of the BL Board.

Detailed points were noted on a draft statement to be made to the House of Commons by the Secretary of State for Trade and Industry on 25 March.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed, on balance, and with regret, with MISC 126's view that the original Salton proposals could not be pursued in present circumstances though the possibility of further discussion with GM at a later stage should not be ruled out. The BL Board should now be invited to make recommendations to the Government about the future of the LRL businesses, with a view to their privatisation on a commercial basis, in the light of the other bids or expressions of interest in one or more of these businesses which were already on the table. The Board, including Mr Day, should also consider the possibility of alternative approaches to the privatisation of Land Rover on a realistic timescale which might prove preferable to acceptance of any of the bids previously made. The way ahead would not be easy, particularly for Leyland Trucks, and some assurance would need to be given, without undertaking any new commitments, that the Government would continue to support it in accordance with established plans. The Secretary of State for Trade and Industry should make a statement to the House of Commons later that day along the lines agreed in discussion.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Secretary of State for Trade and Industry to make a statement in Parliament on 25 March about the Government's approach to the future of the Land Rover-Leyland businesses following the breakdown of the negotiations with General Motors, on the lines agreed in discussion.

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26 March 1986