

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 30 OCTOBER 1986
at 10.00 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 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 Michael Jopling MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment

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

The Rt Hon Kenneth Baker MP
Secretary of State for Education and Science

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 Rt Hon John Moore MP
Secretary of State for Transport

ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr D F Williamson (Items 3 and 4)
Mr C L G Mallaby (Items 3 and 4)
Mr J B Unwin (Item 5)
Mr A J Wiggins (Item 5)
Mr A J Langdon (Items 1 and 2)
Mr M J Eland (Items 1 and 2)

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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 and that the prorogation of Parliament was still planned to take place on Friday 7 November.

Progress of
Business in
the House of
Lords

THE LORD PRESIDENT OF THE COUNCIL said that in the House of Lords consideration of House of Commons amendments to the Education Bill that afternoon the amendment designed to secure freedom of speech on university campuses was at risk. A number of influential peers, including some vice-chancellors and a number of the Government's supporters, were intending to speak against the amendment.

In discussion it was generally agreed that, if the amendment was lost, it would need to be reinstated in the House of Commons; it was to be hoped that the House of Lords would accept the Commons' decision.

The Autumn
Statement on
the Economy

THE PRIME MINISTER said that the Ministerial Group on Public Expenditure under the Lord President of the Council had reached agreement on a number of programmes, and the Chief Secretary, Treasury had resolved outstanding issues on a number of others. She therefore hoped that it would be possible for the Cabinet to discuss the outcome of the public expenditure survey at their meeting the following week. In previous years the timetable had been for the Chancellor of the Exchequer to make the Autumn Statement in the House of Commons on the Tuesday following the Cabinet meeting. That timetable was not possible in the present year because of the timing of the prorogation of Parliament. Provided, therefore, that the Cabinet was able to complete its discussion of the outcome of the survey at its meeting on 6 November, the Chancellor of the Exchequer proposed to make an oral statement in the afternoon immediately after the Cabinet meeting, with the printed documents being presented to the House when it resumed business the following week. It would be prudent to set up arrangements for handling the concluding stages of the public expenditure survey in the way she had described, but the survey would of course not be completed until it had been approved by Cabinet.

THE CHANCELLOR OF THE EXCHEQUER said that his Statement would cover the outturn for public expenditure in 1986-87, the plans for the next three years, and the economic prospects shown in the Industry Act Forecast. Departments would no doubt be issuing their own press notices in the usual way. The texts of these should be agreed with the Treasury. The positive and forward-looking presentation of expenditure programmes would be very important in sustaining the market's confidence in Government policies. The detailed handling of the following week's business was affected by an Opposition motion on the economy at present scheduled for debate on 5 November: he would discuss this with the Lord Privy Seal and the Chief Whip.

The Cabinet -

Took note.

HOME AFFAIRS

Incident at
Saughton
Prison

THE SECRETARY OF STATE FOR SCOTLAND said that at Saughton Prison in Edinburgh one prison officer and three prisoners had been taken hostage by a group of five prisoners all of whom had a violent record. The incident had now entered its third day and the condition of the hostages was beginning to deteriorate. The ringleader of the group had not been receiving the medication he required to control his psychotic disorder. The Prison Governor might need to seek the advice of the local police.

Social
Security
Benefit
Entitlement

THE PRIME MINISTER said that during questions in Parliament earlier that week it had been drawn to her attention that an Irish tinker, with his wife and 11 children, having been denied supplementary benefit in Dublin, had crossed to the United Kingdom where his claim had been allowed with the result that the family were now allegedly in receipt of some £2,000 per week. This was the sort of case which brought the social security system into disrepute.

In discussion the following main points were made -

- a. As the Irish Government tightened their benefit system in response to their current economic problems there was a clear risk that the number of such cases would grow.
- b. One possible option might be to place a ceiling on the total amount of benefit any one family could receive.
- c. An alternative would be to ensure strict reciprocity with other countries. This would need to take account of European Community law on the subject. A particular problem arose, however, in relation to Irish citizens because of their unique status under treaties with the Irish Republic.

THE PRIME MINISTER, summing up the discussion, said that the problem clearly required further study. This should initially be carried forward by the Secretary of State for Social Services in consultation with the Secretary of State for Employment. It was likely that this study would expose issues outside the social security field which might need to be considered in a wider forum.

The Cabinet -

Invited the Secretary of State for Social Services and the Secretary of State for Employment to proceed as indicated in the Prime Minister's summing up of their discussion.

FOREIGN
AFFAIRS

Falkland
Island
Fisheries

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that his announcement in the House of Commons on the previous day of the introduction from 1 February 1987 of a Falkland Islands Interim Conservation and Management Zone to conserve fish stocks around the Islands, which would be virtually co-extensive with the existing Falkland Islands Protection Zone, had been well received in Parliament and had been welcomed in the Falkland Islands. The reaction of Argentina had been less intemperate than had at first seemed likely: a nation-wide broadcast by the President, Dr Raul Alfonsin, had been cancelled. Overall, the reaction to the British announcement had so far been as good as could be expected. The British action did not exclude the resumption of the search for a multilateral fisheries regime around the Falkland Islands, which the Government had been pursuing for the past two years. The unilateral move had been made necessary by aggressive Argentine patrolling of the area and Argentina's conclusion of bilateral fisheries agreements with the Soviet Union and Bulgaria, as well as the rapid growth in fishing activity around the Falkland Islands.

Syria
Previous
Reference:
CC(86) 34.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that, following the conviction of Mr Nezar Hindawi (for attempting to sabotage an El Al flight from Heathrow Airport) in the High Court on 24 October, the Government had announced the rupture of diplomatic relations with Syria. Syria had responded with a propaganda offensive, the expulsion of the British Embassy in Damascus within seven days and an immediate ban on British over-flights of Syrian airspace and on British use of Syrian ports. The Departments concerned were considering what further action the United Kingdom should take against Syria, for instance in the fields of technical co-operation and export credits. At a meeting of the Foreign Affairs Council of the European Community (EC) on 27 October, all but Greece had supported the British action and agreed not to accept in their countries the Syrian diplomats expelled from the United Kingdom in connection with the Hindawi case. It had not been possible at the meeting to secure agreement on wider measures against Syria. A majority would have been willing to recall their Ambassadors from Damascus for consultations and a large majority would have been willing to ban arms sales to Syria, suspend high level visits, place restrictions on Syrian Embassy staff and introduce tighter security for flights of Syrian Arab Airlines. The EC Commission had agreed to suspend special refunds on agricultural exports to Syria. The United Kingdom had made clear that it would not agree to the renewal, which fell due on 1 November, of the

Community's Financial Protocol with Syria. The disappointing result of the Foreign Affairs Council suggested, in retrospect, that there had been insufficient time between the United Kingdom's decisions on action against Syria on 24 October and the Foreign Affairs Council on 27 October for our partners to give proper consideration to the subject and to be ready to act in concert. Since then the Federal Republic of Germany had acted unilaterally to prohibit arms sales to Syria, to end high level visits and to review the activities in the Federal Republic of the Syrian Embassy and of Syrian Arab Airlines and also to end financial aid to Syria and to freeze disbursements of commodity aid. He hoped that there would be agreement at the meeting of Foreign Ministers of the EC countries on 10 November to take further action against Syria.

Saudi Arabia
Previous
reference:
C(86) 34.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that, while it was too soon to assess properly the reasons for the dismissal of the Minister of Petroleum and Mineral Resources of Saudi Arabia, Shaikh Ahmad Yamani, it appeared that he had been made the scapegoat for the economic problems of his country.

In a brief discussion, it was noted that the dismissal of Shaikh Yamani might be followed by changes in the oil policies of Saudi Arabia, and that expectation of such change could have the unwelcome effect of stimulating uncertainty in markets.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

trade
relations
with Japan,
the United
States and
Mediterranean
countries
Previous
reference:
C(86) 31.2

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that useful progress had been made on external trade issues at the Foreign Affairs Council on 27 October. The Council had agreed to launch action under Article XXIII of the General Agreement on Tariffs and Trade (GATT) against Japan's discriminatory taxation on alcoholic drinks, including whisky. This would be carried forward as quickly as possible and the Council had agreed on a 30 day deadline for consideration of Community action if the GATT were to find, as we expected, against Japan. The Commission was also examining other sectors. The Council had reached agreement on a settlement of the trade dispute with the United States over citrus and pasta. The mandate for trade negotiations with Mediterranean countries was also now agreed. At this Council meeting preferential trade access for the Palestinians of the West Bank and Gaza had been decided on: this was important as showing that our recent action was against Syrian terrorism and did not carry wider implications for the region.

South Africa
Previous
Reference:
CC(86) 31.1

THE FOREIGN AND COMMONWEALTH SECRETARY said that agreement had been reached on 27 October on the implementation of the measures already decided on imports of gold coins from South Africa and on investment in South Africa. The decision by the member states of the Community on investment made quite clear that the ban on investment could be implemented, as the United Kingdom intended to implement it, by guidance to companies rather than by legislation.

The Cabinet -
Took note.

TEACHERS' PAY,
DUTIES AND
CONDITIONS
OF SERVICE

Previous
Reference:
CC(86) 30.4

5. The Cabinet considered the Report by the Ministerial Group on Teachers' Pay (MISC 122) on School Teachers' Pay, Duties and Conditions of Service (C(86) 21), together with drafts of statements to be made by the Secretaries of State for Education and Science and for Scotland on 30 October announcing the Government's decision.

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE recalled the history of the two year dispute about school teachers' pay and duties. The offer made by his predecessor the previous year had not achieved any progress towards an agreement on pay and conditions, and negotiations had eventually begun in the earlier part of that year under the auspices of the Advisory Conciliation and Arbitration Service (ACAS). These negotiations had led to an interim agreement at Coventry in July, which although marking some progress towards a sensible definition of teachers' duties would have put all unpromoted teachers on a scale rising to £14,500, while reducing the number of promoted posts. Such a pay structure would be incompatible with the proper development of the education service. More recently the Report of the Main Committee chaired by Sir Peter Main (Cmnd 9893) had produced recommendations on pay structure, duties and conditions of service of Scottish teachers which were broadly consistent with the Government's objectives, although the pay increases put forward as part of the package were high. Competition between trade unions in England and Wales added to the difficulty of making sensible progress; the National Association of Schoolmasters/Union of Women Teachers, which was expanding at the expense of the National Union of Teachers, and which had not accepted the Coventry agreement, had now called for further industrial action in pursuit of pay increases still higher than those agreed at Coventry, and had threatened to picket the meeting between the local authority employer and union negotiators arranged by ACAS to take place at Nottingham on 8 November. At that meeting the employers and the unions, with the knowledge and encouragement of the Labour Party, were likely to seek further to embarrass the Government by agreeing more expensive new pay arrangements than were contemplated at Coventry and other concessions to the teachers which would add to the costs of the education service. There was little prospect of any progress towards an effective agreement on teachers' duties and conditions of service.

MISC 122 had therefore concluded that the Government should step in and set its own terms for resolving the dispute, in advance of the Nottingham meeting. The Group's recommendation to the Cabinet was that pay increases averaging 16.4 per cent (ie the same level as recommended by Main) should be introduced in two equal stages, the first on 1 January 1987, and the second on 1 October 1987. The settlement would last until March 1988, and there could be no question of any further pay increases for any reason during that period. The effect would be to increase the pay of the Head of a large comprehensive school from £26,000 to £30,000 a year, while that of a good honours graduate with two years service would increase from £8,000 to £10,000 a year. For England and Wales this would mean additional public expenditure provision of £490 million in 1987-88, towards which the Government would contribute £200 million in Exchequer grant; these amounts were double those offered by his predecessor. This very generous pay settlement for teachers could be justified only by the fundamental restructuring of the profession, carrying with it the essential clarification of teachers' duties and conditions of service, on which the Government would be insisting. No additional pay would be granted until the teachers either accepted the proposals or had them imposed through primary legislation.

MISC 122 had also concluded that the opportunity should be taken to abolish the Burnham Committee and introduce new machinery to determine teachers' pay and conditions. It was clear that this task could not be left to voluntary negotiations between the employers and the unions; instead pay and conditions would be set by the Secretary of State on the advice of an Interim Advisory Committee. This would require early legislation.

The proposals represented a new deal for teachers which would provide greater rewards for responsibility and proven good performance, and so enhance the position of career teachers; they would also enhance the authority of Heads, and so enable schools to function more effectively. They were a very generous response to the needs of the teaching profession; the Government could go no further. The Nottingham meeting should be given the opportunity of accepting the Government's proposals, although in practice it was most unlikely that the unions would agree to this. The way would then be open for the Government to impose their proposals through new legislation. There should be strong public support for the Government's proposals: the Government would then in effect be appealing over the heads of the union leaders to all individual teachers. Subject to the agreement of the Cabinet, he would announce the Government's decisions in a statement that day, the draft of which had been circulated to Cabinet colleagues.

THE SECRETARY OF STATE FOR SCOTLAND said that the main substance of the MISC 122 proposals would apply equally in Scotland, although the existence of the Main Committee Report meant that independent advice on teachers' pay, duties and conditions was already available, so giving the package greater authority. Public opinion would understand and support the staging of the pay increases. There was some prospect that the package would be put into place by the Scottish Joint Negotiating Committee, which covered both pay and conditions, but it was as yet

uncertain what would be the result of a ballot of all Scottish teachers. His statement, the draft of which was before colleagues, would follow that by the Secretary of State for Education and Science.

In discussion the following main points were made -

- a. Greater emphasis should be placed in the Secretary of State for Education and Science's statement on the fact that the Government's proposals represented a firm and final decision, and not a basis for further negotiation. It would not be open to the Nottingham meeting to seek to vary them, or to accept them on any other basis than the terms and conditions specified by the Government.
- b. There could be no question of further additions to expenditure resulting from recommendations of the Main Committee not directly related to pay and pay structure.
- c. It was essential that the specification of teachers' duties and conditions of service, and the proposed new salary scales, which were to be conveyed by letter to the leader of the local authority employers, should be fully consistent with all the Government's objectives. Once that document had been published, there would be no opportunity for second thoughts.
- d. It was essential that the Secretary of State for Education and Science's statement should be unambiguous about the abolition of the Burnham Committee. In practice the Government would be imposing their own settlement. The remit of the Interim Advisory Committee which would be part of the new machinery to settle teachers' pay and conditions would need to be carefully defined. Its task would be to advise the Secretary of State on teachers' terms and conditions of service, and on the distribution of a specified amount for teachers' pay; it was important that the financial markets should not see this Committee as another review body without financial restraints. If the Nottingham meeting did not accept the Government's proposals, the Committee's first task would be to advise on the distribution of the money the Government had decided to make available. At the same time, however, care would need to be taken to avoid stirring up unnecessary hostility among teachers by announcing the decision so that it could be represented as the removal of negotiating rights leaving them with no alternative safeguards.
- e. Pay increases on the scale proposed could have very serious repercussions elsewhere in the public sector. The defence against such repercussions was the fact that teachers would in future have to comply with a more onerous specification of their duties and would be subject to much tigher contracts. The package should not be presented simply as conferring benefits on teachers; there were a number of aspects in the specification of duties and conditions of service which their unions would have wished to avoid. In presenting the package to the wider public, the Government should

not focus exclusively on the position of teachers; the underlying reason for putting forward the package was their concern for children and for the improvement of the quality of education.

f. In presenting the proposals, Ministers should avoid being drawn into comparisons of their cost over a four year period with that of the former Secretary of State for Education and Science's offer over a similar period. The settlement now put forward covered the two financial years 1986-87 and 1987-88 and the position thereafter had yet to be settled. The figures on which to concentrate were the costs in 1987-88.

g. No attempt should be made to hide the costs of the proposals. Improving the education service, and financing the new arrangements for teachers, meant a heavy burden on taxpayers and ratepayers. The average increase in rates in England resulting from the Government's proposals would be in the range 2-4 per cent; it would be better to make this clear in the initial statement than to have the point extracted through subsequent questioning.

h. It was essential that all teachers should be fully informed about the Government's proposals. The unions would not provide information in an objective way, and the Government would therefore need to consider other ways of getting their message across. One possibility, subject to investigation of its propriety, would be to convey the Government's proposals by letter to all teachers, drawing on the list held for pensions purposes. Other ways of providing information, through advertising and through Party channels, should also be considered.

i. The decision to abolish the Burnham Committee would in any event require an Education Bill in the forthcoming Session of Parliament. A reference to this should be made in The Queen's Speech.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the proposals of the MISC 122 Group. The Government had taken final decisions on teachers' pay, duties and conditions of service. Teachers' pay in England and Wales and in Scotland should be increased by 8.2 per cent on average (on the current base) on 1 January 1987 and by a further 8.2 per cent (on the same base) on 1 October 1987; these increases allowed for the salary structure put forward by Main and for the comparable salary structure now proposed for England and Wales. These large increases in pay were justified only by the clearer specification of duties and more onerous conditions of contract which teachers would be required to accept in return. There could be no question of further negotiation, and the Government should insist on full delivery of all their terms; if, as seemed likely in England and Wales, the local authority employers and teachers' unions did not accept them, the Government should move quickly to impose them through new primary legislation. New legislation would be introduced in any event to abolish the Burnham Committee, and to establish new machinery to settle teachers' pay and conditions; this would be done by the Secretary

of State on the advice of an Interim Advisory Committee, whose remit would cover duties and conditions of service, and the distribution of pay within the amount decided by the Government. Every effort should be made to put the Government's message across effectively to the teaching profession and the wider public; the Government's decision to introduce substantial increases in teachers' pay were only justified by the substantial concessions teachers were required to make in return; the settlement should thus not be allowed to constitute a precedent for other public sector pay negotiators. There was no avoiding the fact that the settlement meant a considerable additional burden on taxpayers and ratepayers. It reflected the Government's concern for children and for the quality of education. Given the firm decision to introduce new machinery to settle teachers pay and conditions, mention should be made of the necessary legislation in The Queen's Speech.

The Cabinet -

1. Endorsed the proposals in C(86) 21, subject to the points made in discussion.
2. Invited the Secretaries of State for Education and Science and for Scotland to announce the Government's decisions later that day, in Parliamentary statements the texts of which should be amended to take account of points made in discussion.
3. Invited the Secretaries of State for Education and Science and for Scotland to consider whether the Government's proposals could and should be communicated by individual letters to all teachers.
4. Took note that the Prime Minister would arrange for the inclusion of a reference in The Queen's Speech on the Opening of Parliament to the Education Bill which would need to be introduced to give effect to the Government's proposals.

Cabinet Office

30 October 1986