

**CONFIDENTIAL**

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

COPY NO

75

CABINET

CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 4 DECEMBER 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 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 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

**CONFIDENTIAL**



**CONFIDENTIAL**

SECRETARIAT

Mr D F Williamson  
Mr C L G Mallaby  
Mr A J Langdon (Items 1 and 2)  
Mr M J Eland (Items 1 and 2)

C O N T E N T S

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	1
	Debate on the Need to Establish a Committee of Privy Councillors to Oversee Matters of National Security	1
	Debate on Defence in the House of Lords	2
	Rate Support Grant 1987-88	2
	Stalker Case	2
2.	HOME AFFAIRS	
	Flotation of British Gas	3
	Teachers' Pay, Duties and Conditions of Service	3
	Acquired Immune Deficiency Syndrome	3
3.	FOREIGN AFFAIRS	
	United States	4
	North Atlantic Alliance	4
	Syria	4
4.	COMMUNITY AFFAIRS	
	European Council	5
	Completing the Internal Market	5
	Transport	5



PARLIAMENTARY  
AFFAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week and that, subject to the progress of business, it was proposed that the House should rise for the Christmas Adjournment on Friday 19 December until Monday 12 January.

Debate on  
the Need to  
Establish a  
Committee  
of Privy  
Councillors  
to Oversee  
Matters of  
National  
Security

THE SECRETARY OF STATE FOR THE HOME DEPARTMENT said that the debate the previous day on the motion tabled in the name of the leaders of the Liberal and Social Democratic Parties to the effect that there was a need to establish a Committee of Privy Councillors to oversee matters of national security, had passed off well and the motion had been defeated. He had made it clear that in the debate the Government could not comment on various allegations made by members of the Opposition while the case to prevent the publication of the memoirs of a former member of the Security Service, Mr Peter Wright, was still being heard by the Australian courts. As far as progress of that case itself was concerned, the main focus now was on proceedings in which the defence sought discovery of certain British official documents. The Government had been granted leave to appeal to the Court of Appeal of New South Wales against a ruling that the documents be discovered; and that hearing was expected to start on 11 December 1986. If that court ruled against the Crown then there was the option of further appeal to the federal High Court of Australia. If that option had to be invoked then a ruling from the High Court could not be expected until well into the New Year.

THE PRIME MINISTER, summing up a short discussion, said that very careful consideration would have to be given to whether further statements should be made once the case had been concluded. The principle which had been followed by previous Governments of all political persuasions, that Ministers should not comment on security matters was being gradually eroded and each concession merely increased the appetite for further disclosure. The principle in the Wright case was absolutely clear: unauthorised disclosures by previous members of the Security Service raised doubts about whether material entrusted to that service would remain secure, and this undermined the trust and confidence which was vital to its work. The morale of serving officers had been seriously damaged by the publicity given to the various allegations of the past few years.

The Cabinet -

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



Debate on  
Defence in  
the House of  
Lords

THE LORD CHANCELLOR said that the debate on defence that had been held in the House of Lords on the previous day had included some excellent speeches, most notably by Lord Thorneycroft and by Lord Stewart of Fulham. The latter had dissociated himself from his party's policy on defence and his speech was a striking illustration of the difference between the Labour Party of the present and that of the past.

Rate  
Support  
Grant  
1987-88

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the distribution of block grant dictated by the Local Government, Planning and Land Act 1980, continued to raise problems. The proposals for 1987-88 that he had originally put out to consultation had been received with hostility by many shire county areas, and that situation was rendered even more difficult by the availability of further data relevant to grant related expenditure that it would be legally unsafe for him to ignore. With the agreement of the Sub-Committee on Local Authority Expenditure (E(LA)) he had therefore published revised consultative proposals that moderated these effects so far as was practicable under the present statutory machinery, though Buckinghamshire, Berkshire, Northamptonshire and East Sussex would still receive less grant than in 1986-87 and then in his earlier consultative proposals. It was inevitable that there would be losers in such situations, and some authorities that had stood to do exceptionally well under his earlier proposals would now have their gains very significantly reduced. In particular, Birmingham, which would have got £60 million more grant than in 1986-87 under his earlier proposals, now stood to get £30 million more than in 1986-87. He did not gainsay the difficulty of that, but decisions had to be taken on the overall balance of the settlement. The very difficult distributional problems he had described would continue to face the Government until the present statutory machinery was replaced by the new structure outlined in the Green Paper "Paying for Local Government". Indeed, unless some very radical interim action were taken, the Rate Support Grant settlements in the years before the new structure was in place would get increasingly difficult as the full effects of the moderating devices that had been adopted fed through into the system.

Stalker Case

THE PRIME MINISTER said that the question of costs incurred by those who were cleared under proceedings arising from their professional life might require further study.

The Cabinet -

- 2. Took note.



HOME  
AFFAIRS

Flotation of  
British Gas

2. THE SECRETARY OF STATE FOR ENERGY said that the deadline for applications for shares in British Gas had expired the previous day. Some 4-4½ million applications had been received, the issue had been oversubscribed and it would be necessary to reduce the amounts available to overseas investors and the institutions to accommodate the smaller investor. There had been some suggestion that the number of applications from small investors had been less than might have been expected. Two possible explanations for this were that the general fall in share prices earlier that week might have put off some small investors and that the proximity of the share issue to Christmas had meant that the small investor had less money readily available. Even so it was clear that an impressive number of small investors had come forward and in some parts of the country it appeared that as many as two families in every five had applied for shares.

Teachers'  
Pay, Duties  
and  
Conditions  
of Service

Previous  
Reference:  
CC(86) 39.1

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the individual teachers' unions were now establishing their members' views. The Secondary Heads Association and the Professional Association of Teachers had told him that they would be seeking variations in the package developed in the Burnham Committee and so there was a good prospect that the unions could not sustain a united front. The National Union of Teachers had mounted a campaign against the Teachers' Pay and Conditions Bill which they were presenting as an attack on union negotiations rights. This campaign would not have moved into full gear before the Bill left the House of Commons and therefore the main attack could be expected in the House of Lords. It was hoped that the Bill might start in the Lords on 12 January 1987.

Acquired  
Immune  
Deficiency  
Syndrome

Previous  
Reference:  
CC(86) 38.2

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that there had been discussions with the World Health Organisation about Acquired Immune Deficiency Syndrome (AIDS). WHO estimated that there were about 100,000 cases of AIDS in the world at the present time and that about five to ten million people might have been infected. It was possible that there would be about three million deaths within five years, of which a substantial number would be in Africa. In the United States of America there might be about 170,000 deaths over five years. In Europe there were about 4,000 cases so far and there might be 25-30,000 deaths over about three years. It was clear that public concern about this serious issue would continue to increase.

The Cabinet -

Took note.



**CONFIDENTIAL**

FOREIGN  
AFFAIRS

---  
United States

Previous  
Reference:  
CC(86) 39.2

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the United States President had announced that there would be an investigation by independent Counsel into the diversion to the Contra rebels in Nicaragua of funds generated by United States arms sales to Iran. No less than eight Congressional committees were competing to investigate the matter. The President had appointed Mr Frank Carlucci, a man of wide experience, as his National Security Adviser in succession to Vice Admiral John Poindexter. The United Kingdom should continue to reaffirm its policy on hostages and terrorism, as well as arms sales - policies which should be seen in the light of recent developments in Washington to be the right ones. This should be done in a way which would not undermine the position of the United States President.

The Leader of the Opposition, Mr Neil Kinnock, was visiting the United States. His attempt to advocate the defence policies of the Labour Party appeared to be evoking little response. In discussion it was noted that Mr Kinnock appeared not to be observing the convention that politicians should abandon party rivalry when they were outside this country, a point which had been noticed by the media. It appeared that no Congressman, Republican or Democrat, in the United States had supported Mr Kinnock's views on nuclear weapons.

North  
Atlantic  
Alliance

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Defence Policy Committee of the North Atlantic Treaty Organisation was meeting that day and the North Atlantic Council would meet the following week. It would be important to ensure that the communiqués on these meetings included the points made by the Prime Minister in her statement following her meeting with the United States President at Camp David on 15 November. The chances of achieving this would be greater in the case of the North Atlantic Council, where France would be participating.

Syria

Previous  
Reference:  
CC(86) 37.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that in a trial in Berlin ending on 26 November, Mr Ahmed Hasi had been convicted of planting a bomb in the premises of the German-Arab Friendship Society in West Berlin and had been sentenced to 14 years' imprisonment. His accomplice had received 13 years. Mr Hasi was a brother of Mr Nezar Hindawi, who had recently been convicted in the English courts for attempting to place a bomb on a El Al flight from Heathrow. The Government of the Federal Republic of Germany had reacted effectively by announcing on 27 November that there would be no early replacement of the Federal German Ambassador to Syria, that three members of the Syrian Embassy in Bonn must leave the country, that there would be strict reciprocity of staffing of military attaches' offices, that bilateral aid would be banned and that the Federal Republic would recognise only Syrian diplomatic and ordinary passports, not service ones. Other European countries and the United States had made statements in support of this Federal German reaction. The Western allies in Berlin had taken action

**CONFIDENTIAL**



to expel from Berlin members of the Syrian Embassy in East Berlin. These reactions amounted to useful additional pressure on Syria in the light of its support for terrorism.

The Cabinet -

Took note.

COMMUNITY  
AFFAIRS  
---  
European  
Council

4. THE PRIME MINISTER said that the European Council on 5-6 December would be dealing with relatively uncontroversial issues in the field of business and jobs and of safeguarding the open society. It was regrettable that some press comment found the absence of controversy a matter for criticism. In discussion it was said that the initiative on employment was likely to be endorsed but not without opposition from some interests within the Community.

Completing  
the Internal  
Market

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the Internal Market Council on 1 December had agreed on nine out of the thirteen measures on which the Prime Minister had invited other Heads of Government to withdraw their reserves. Two more measures were likely to go through quickly. The remaining two might be achieved by the end of the year. In discussion it was pointed out that the United Kingdom Presidency had already made far greater progress than its predecessors in reaching agreement on measures to open up the internal market.

Transport

THE SECRETARY OF STATE FOR TRANSPORT recalled that the last Transport Council had made good progress on two elements - access and capacity - which were important for the progressive liberalisation of aviation. The Council had also made progress but had finally been stalled on the conditions applicable to lower fares. His recent discussions with Ministers of other member states had confirmed that consumer pressures were beginning to be felt more widely but that some member states were not yet willing to change their basic position on fares. In these circumstances there was a fine balance to be drawn at the next Transport Council. If the aviation package were not raised, the advances already made would slip back but, on the other hand, it was important to avoid any public and press reaction that the discussion had been a failure. He proposed that the aviation package should be on the agenda; that he should seek to establish conclusions which held the position on access and capacity; and that the discussion on fares should lead to a conclusion that the issues must continue to be pursued. He had in mind that he might thereafter call, if it seemed appropriate, a meeting of the Chairmen and chief executives of airlines concerned, which might draw attention to the consequences of action in the European Court of



**CONFIDENTIAL**

Justice if the aviation package were not settled. At the next Transport Council he had good hopes that some useful measures on shipping, but not the proposal on cabotage, would be agreed.

The Cabinet -

Took note.

Cabinet Office

4 December 1986

**CONFIDENTIAL**