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152

30th
Conclusions

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CABINET

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

THURSDAY 5 OCTOBER 1989

at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Sir Geoffrey Howe QC MP
Lord President of the Council

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon The Lord Mackay of Clashfern
Lord Chancellor

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

The Rt Hon John Major MP
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon Peter Walker MP
Secretary of State for Wales

The Rt Hon Norman Fowler MP
Secretary of State for Employment

The Rt Hon Tom King MP
Secretary of State for Defence

The Rt Hon Nicholas Ridley MP
Secretary of State for Trade and
Industry

The Rt Hon Kenneth Baker MP
Chancellor of the Duchy of Lancaster

The Rt Hon Kenneth Clarke QC MP
Secretary of State for Health

The Rt Hon John MacGregor MP
Secretary of State for Education
and Science

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

The Rt Hon Cecil Parkinson MP
Secretary of State for Transport

The Rt Hon John Wakeham MP
Secretary of State for Energy

The Rt Hon The Lord Belstead
Lord Privy Seal

The Rt Hon Antony Newton MP
Secretary of State for Social Security

The Rt Hon Christopher Patten MP
Secretary of State for the Environment

The Rt Hon Peter Brooke MP
Secretary of State for Northern
Ireland

The Rt Hon John Selwyn Gummer MP
Minister of Agriculture, Fisheries
and Food

The Rt Hon Norman Lamont MP
Chief Secretary, Treasury

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ALSO PRESENT

The Rt Hon David Waddington QC MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robin Butler
Mr R T J Wilson
Mr L V Appleyard (Items 3 and 4)
Mr D A Hadley (Items 3 and 4)
Mr G Monger (Items 1 and 2)
Mr P J C Mawer (Items 1 and 2)

C O N T E N T S

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	
	Legislative Programme 1989-90	1
2.	HOME AFFAIRS	
	Police Rent Allowance	4
	Community Charge	5
	Conservative Party Conference: Policy Announcements	5
	Anglo-Irish Conference	5
3.	FOREIGN AFFAIRS	
	East German Refugees	5
	Panama	6
	United Nations General Assembly in New York	6
4.	COMMUNITY AFFAIRS	
	Foreign Affairs Council 3 October	

PARLIAMENTARY
AFFAIRS

Legislative
Programme
1989-90

Previous
Reference:
CC(89) 29.1

1. THE LORD PRESIDENT OF THE COUNCIL said that he had already reported to Cabinet the severe pressure on the legislative programme for the following Parliamentary session. It was essential to begin the fourth session of the present Parliament as close to the conventional time as possible. A number of fresh priority candidates for places in the programme had emerged since Cabinet had last discussed it, and some of the Bills in the provisional programme had grown as a result of policy decisions. Cabinet had previously agreed that any additions to the programme should be met by offsetting savings. The Queen's Speeches and Future Legislation Committee (QL) had consequently examined the provisional programme in order to see whether any savings could be found. The Secretary of State for Trade and Industry had offered to postpone legislation on Export Credit and Investment Guarantees and on Computer Misuse to the 1990-91 session: QL had decided that although it would not be possible to proceed with a Government Bill on Computer Misuse next session, the subject could be offered to a Private Member. These savings would allow the addition to the programme of a very short Bill extending to licensed tenants the protections of the Landlord and Tenant Act 1954.

More substantial savings were, however, required if the acute pressures on the programme were to be relieved. QL had therefore reluctantly concluded that the Law Reform (Miscellaneous Provisions) (Scotland) Bill and the Highways and Transport (Private Finance) Bill should also be removed from the programme. While the Secretary of State for Scotland would prefer to have two Scottish Bills in the programme, if forced to give one of them priority he would favour retaining the Scottish Enterprise and New Towns (Scotland) Bill. Postponement of the Scottish Law Reform Bill was not judged likely to make passage of the Courts and Legal Services Bill, which would reform the English legal profession, more difficult. The Highways and Transport (Private Finance) Bill contained two elements - reform of the Public Utilities Streetworks Act 1950 and provisions to give effect to the proposals for private financing of roads in the Green Paper "New Roads by New Means" (Command 698) - of which both were desirable, but each was substantial and neither seemed essential next session.

THE SECRETARY OF STATE FOR SCOTLAND said that while he appreciated the pressures facing the business managers, the proposal to drop one of the two Scottish Bills from the provisional programme would have major constitutional as well as political implications. The Scottish Office's functions embraced those of a number of Whitehall Departments: this and the existence of a separate Scottish legal system meant that a substantial programme of Scottish legislation was required each session. There had for many years been three or more Scottish Bills in the programme. This year he had accepted that there should only be two Bills but any further reduction in the

programme would be unacceptable. The burden on Parliamentary time from Scottish legislation was limited because of the Scottish Grand and Standing Committee procedures. It would be very difficult to explain a failure to legislate on reform of the Scottish legal profession next session and he could not agree that legislation on war crimes, for example, should have priority over the Scottish Bill. The inclusion of only one Scottish Bill in the programme would also open the way to those who had argued the need for a separate Scottish legislature. So far it had been possible to resist that argument on the basis of Westminster's excellent record in dealing with Scottish legislation, including law reform measures. That defence would no longer be available if next session's programme was reduced to only one Scottish Bill.

THE SECRETARY OF STATE FOR TRANSPORT said that the Highways and Transport (Private Finance) Bill was also of high priority. The Government had derived great credit, not least among its own supporters, from its proposals to introduce private finance into road building. Private sector confidence in the Government's intentions and good faith would be seriously damaged if a Bill was not introduced next session. Proposals for the Birmingham North Relief Road scheme were currently being prepared on the basis that the Bill would go ahead. A hybrid Bill would be required to pursue the project, which would be exploited by the scheme's opponents and would itself cause Parliamentary handling problems. The street utilities provisions of the proposed Bill would also be popular, and much needed.

In discussion, the following main points were made:

- a. Parliamentary debates on the report of the War Crimes Inquiry were to take place in the autumn. They could be expected to reveal strong opposition, both inside and outside Parliament, to the proposals for legislation on this subject. It was certainly desirable that legislation on war crimes should not take priority over other Bills in the Government programme. On the other hand, the inquiry report had said that any legislation should be enacted quickly and there were also very strong feelings in favour of legislation. While it might not be desirable to give priority to a War Crimes Bill, it would be difficult to decide definitely to postpone it ahead of the Parliamentary debates.
- b. The constitutional and political arguments advanced by the Secretary of State for Scotland for accommodating two Scottish Bills in the programme were very strong. Failure to do so would provide ammunition for nationalist and other critics of the Government.

c. The Scottish Enterprise and New Towns (Scotland) Bill was effectively two Bills in one. The Law Reform (Miscellaneous Provisions) (Scotland) Bill was suitable for introduction in the House of Lords, but it did not simply reform the Scottish legal profession but also included a wide variety of other law reform measures. If it were to proceed, it would certainly be desirable to reduce it considerably from its present estimated length of some 50-70 clauses.

d. It was desirable that legislation to reform the Scottish legal profession should proceed next session along with legislation to reform the English profession. However, if the Scottish Bill did not proceed, the Government's continuing firm commitment to reform of the Scottish legal profession would need to be made clear.

e. There was a strong case on resource and other grounds for proceeding with the private finance provisions of the Highways and Transport (Private Finance) Bill. The Birmingham North Relief Road was of critical importance to the West Midlands. Proceeding through a hybrid Bill would only assist opponents of the scheme and cause added difficulties for some Government supporters.

f. There was no scope for making other savings in the programme. Given this, the pressures remained intense. Failure to deliver the programme because of these pressures would itself be embarrassing to the Government, as would failure to end the next session of Parliament as close to the conventional time as possible.

g. There was a case for considering ways in which the number of amendments to Government Bills which were intended to remedy drafting deficiencies could be reduced, perhaps through the involvement of extra drafting resources from outside Government.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet recognised the pressures facing the Government's Parliamentary business managers. It agreed that Bills on Export Credit and Investment Guarantees and on Computer Misuse should not be included in the following session's programme, although the latter should be offered to a Private Member. Provision should however be made in the programme for a very short Bill on licensed tenants. Legislation on the detention of terrorist suspects was not now in prospect. Cabinet agreed that, subject to the outcome of the Parliamentary debates in the autumn, legislation on war crimes should be postponed beyond next session. The Secretary of State for Scotland had made a strong case on constitutional and political grounds for the inclusion of two Scottish Bills in the programme: the Law Reform (Miscellaneous Provisions) (Scotland) Bill should therefore

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proceed, although the Secretary of State for Scotland should discuss with the Lord President ways in which it could be significantly reduced in length. The Secretary of State for Transport had also made a strong case for proceeding with the Highways and Transport (Private Finance) Bill. In view of the other pressures on the programme this Bill could not be granted a place at present. The private finance provisions of the Bill should however be regarded as first reserve and drafting of them could proceed on a contingency basis. Consideration should also be given to whether the provisions on street utilities could be handed to a Private Member. The Lord President should consider whether the number of amendments to the drafting of Government Bills could in any way be reduced.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of this part of their discussion and invited the Lord President and the Secretaries of State for Trade and Industry, Scotland and Transport to proceed accordingly.

HOME AFFAIRS

—
Police Rent
Allowance

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2. THE HOME SECRETARY said that at its meeting the day before the Sub-Committee on Public Sector Pay of the Ministerial Steering Committee on Economic Strategy had authorised him to write to the Chairman of the Police Negotiating Board saying that he would no longer be bound by previous statements about acceptance of the awards of the Police Arbitration Tribunal (PAT). This action was made necessary by the need to override the recent award of the PAT on police rent allowance. It would be very controversial with the police, although their hostility might be diminished by the decision that serving officers should not lose the present value of the allowance. The police were however unlikely to get much public support on the issue.

In a brief discussion it was noted that the arrangement for officers already serving would mean that the public expenditure savings from the change in the allowance system would be very small at first. They would however build up over time to the level originally expected.

The Cabinet -

1. Took note.

THE SECRETARY OF STATE FOR THE ENVIRONMENT made an oral report on the arrangements for the introduction of the Community Charge. The discussion and the conclusions reached are recorded separately.

Conservative Party Conference: Policy Announcements

THE PRIME MINISTER said that announcements about policy changes with expenditure implications should be avoided at the Conservative Party Conference so far as possible, and should in any event be agreed with the Treasury.

The Cabinet -

- 2. Took note.

Anglo-Irish Conference

Previous Reference: CC(89) 29.2

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that there would be a meeting of the Anglo-Irish Conference that afternoon. The discussion would be difficult in view of the continuing leaks of material about suspected terrorists. On the other hand it was increasingly clear that not only was the material involved low-grade but that its release stemmed from a concerted attempt by para-military groups to discredit the security forces. There was no evidence, for example, to support claims of an "inner circle" of disaffected officers in the Royal Ulster Constabulary. It had become evident to the Government of the Irish Republic, however, that a number of groups opposed to the Agreement were trying to exploit the present position to their own ends. While, therefore, he would be ready to give a firm and robust account of the British Government's position to the Conference, and the meeting would undoubtedly be difficult, he hoped that it would not end in a complete rupture.

The Cabinet -

- 3. Took note.

FOREIGN AFFAIRS

East German Refugees

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that since the border between Hungary and Austria had been opened four weeks ago over 40,000 East Germans had fled through Czechoslovakia and Hungary. Earlier this year 60,000 had left the German Democratic Republic (GDR). Thus over 100,000 refugees had left the GDR so far in 1989 compared with 40,000 in the whole of 1988. The GDR government had now imposed a visa requirement for travel to Czechoslovakia. Although this would reduce the

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numbers of refugees, it would not diminish the pressure to leave. There had been demonstrations in Leipzig, Dresden and other East German cities. The demonstration in Leipzig on 2 October had been the largest since the 1953 Uprising. These events provided an uncertain background to President Gorbachev's planned visit to the GDR on 7 October for the 40th Anniversary. It was clear that the Soviet Foreign Minister, Mr Eduard Shevardnadze, had exerted pressure behind the scenes on the GDR government to acquiesce in the latest exodus.

Panama

Previous
Reference:
CC(89) 18.3

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THE FOREIGN AND COMMONWEALTH SECRETARY said that the coup attempt in Panama by junior officers on 3 October had been defeated by forces loyal to the President, General Manuel Noriega. The President remained in control, while the leader of the coup, Major Giraldi, was under arrest. There had been no threat to British citizens or property during the disturbances. The United States Administration had denied involvement in the attempted coup, although for some time they had been openly encouraging the Panama Defence Force to act against General Noriega. A White House spokesman had admitted that the United States Administration had foreknowledge that something was planned, but they appeared to have been taken by surprise by the actual developments. The short term effect of the failed coup would be to consolidate General Noriega's grip on power. But the fact that the coup had almost succeeded, despite the earlier purges of disaffected officers, showed that his power base was increasingly narrow. Britain and other European Community countries should continue their policy of isolating General Noriega's regime. In that context, the posting of the new British Ambassador to Panama had been deferred.

United Nations
General
Assembly in
New York

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THE FOREIGN AND COMMONWEALTH SECRETARY said that he had had a wide range of useful meetings with other Foreign Ministers while he attended the United Nations General Assembly in New York during the previous week. He had found the new Hungarian Foreign Minister, Dr Horn, both forthcoming and impressive. Dr Horn had expressed doubts whether the Hungarian Socialist Workers Party (HSWP) would be able to govern on its own after the impending elections. He believed the HSWP might obtain around 35 per cent of the votes. He had made clear that Hungary welcomed Western support, and was evidently concerned in case Western governments focussed their attention on Poland to the exclusion of Hungary.

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Continuing, THE FOREIGN AND COMMONWEALTH SECRETARY said that the President of Colombia, Dr Barco, had made an impressive speech. Dr Barco had expressed gratitude for Britain's rapid and effective response over the drugs problem. He had accepted an invitation to attend the London Drugs Conference next April. The Polish Foreign Minister, Dr Skubiszewski, had spoken frankly about Poland's economic problems, but had been less clear than his Hungarian counterpart on how the Polish Government intended to tackle them. He too had expressed gratitude for Western support. He had stressed Poland's independence of the Soviet Union and had commented that the Soviet government had behaved well towards Poland in recent months.

On arms control, THE FOREIGN AND COMMONWEALTH SECRETARY said that during his discussions with the United States Secretary of State, Mr James Baker, there had been indications that the United States Administration might place greater importance on securing early arms control agreements than upon ensuring that every detail had been thoroughly examined. He had also had useful discussions with the Pakistan and Chinese Foreign Ministers.

The Cabinet

Took note.

COMMUNITY
AFFAIRS

Foreign Affairs
Council
3 October

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Foreign Affairs Council had adopted the Broadcasting Directive, with the United Kingdom voting in favour. Our vote had, in the end, not been decisive: only Belgium and Denmark had maintained their opposition. The protectionist element in the Directive had been further weakened by interpretative minutes statements, and he was confident that the quota provision would prove ineffective. The United States had maintained their opposition to the end, but had seemed reasonably relaxed at the Directive's adoption and appreciative of the United Kingdom's success in weakening the quota provision. The Council had also expressed strong support for the Commission's action plan for assistance to Poland and Hungary, which would involve expenditure of 200 million ecu in 1990: the need to continue in later years had been mentioned but not discussed in detail. It was clear that the United Kingdom was ahead of other member states in its offers of bilateral assistance to Poland.

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The Cabinet -

Took note.

Cabinet Office

5 October 1989

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9

CABINET

LIMITED CIRCULATION ANNEX

CC(89) 30th Conclusions, Minute 2

Thursday 5 October 1989 at 10.30 am

Community Charge

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the Sub-Committee on Local Government of the Ministerial Steering Committee on Economic Strategy (E(LG)) had the day before discussed transitional arrangements for the introduction of the Community Charge. They had noted that there were two areas of political concern. The first was the area safety net. There was strong pressure from many of the Government's supporters for the Exchequer to fund the safety net, so that no-one in the gaining areas would have to make any contribution. But this would cost £650m; it might encourage the local authorities concerned to increase their spending; and a considerable part of the extra grant would go to improving further the position of individuals who were already gainers, rather than to protecting individual losers. E(LG) had therefore concluded that it would not be right to change the safety net proposals published on 19 July, a decision which would disappoint some of the Government's supporters. The Chancellor of the Exchequer had however offered that in the second year of the transition the Exchequer should take over paying for the safety net protection out of aggregate external finance (AEF) and that the total of AEF for that year should be increased to reflect this. The public expenditure provision for AEF would accordingly be increased for that year in line with the GDP deflator, plus the cost of the safety net. He commended this offer to his colleagues.

The second area of concern was the position of individuals facing large losses from the introduction of the Community Charge. With the colleagues directly concerned, he had worked out a scheme for giving relief to such losers. Protection would be primarily targeted on former ratepayers, pensioners and disabled people rather than first-time payers since they were the very people on whom the community charge was meant to fall so as to broaden the tax base. Relief would be given if the 1990-91 community charge for an individual (or two charges for a pair of adults) that would be payable on a specified spending assumption for the authority exceeded their 1989-90 rate bill by more than a threshold amount. The spending assumption to be adopted was that authorities would spend in line with the grant settlement proposals announced on 19 July: that is, at 3.8 per cent

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above their 1989-90 budgets. In practice, authorities were likely to spend above this and the threshold was therefore likely to be higher than the announced figure.

Continuing, THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he would have liked to have set the threshold as low as possible so as to maximise the protection given. But a low threshold would have increased the cost significantly. He had now agreed with the Chancellor of the Exchequer on a threshold of £3 a week for an individual or pair of individuals. The cost of a scheme on this basis should be just under £300 million a year in England including administration costs and net of offsetting reductions in benefit payments, although the estimates could not be precise at this stage. (14) had assumed that there would need to be a comparable scheme in Wales, and that the Secretary of State for Scotland might wish to deploy a proportionate share of additional resources in Scotland next year to improve the operation of the community charge there. He understood that the Secretary of State for Scotland was content with this proposal.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he believed that these proposals were the minimum needed to deal with the political pressures on the community charge, and would need careful and sustained presentation by all members of the Government. Time was now of the essence both politically and operationally. There would need to be amendments to the Local Government & Housing Bill to provide enabling powers for the scheme this month, and then an Order as soon as possible in the new Session to put through the details. It was also essential that the local authorities should start working on the implementation of the scheme as soon as possible. They would have to handle over 3 million cases, and possibly many more unsuccessful applications; and some were already struggling with the arrangements for the Community Charge. The Government would have to pay for their extra administrative costs but even so must be prepared for considerable criticism from them. Provided the details of the scheme could be settled in time, the Minister for Local Government should announce the two changes - on the financing of the area safety net in the second year, and the new individual relief - at the Conservative Party Conference on 11 October, at the same time as Lord Hesketh announced them in the House of Lords. Details of the scheme should be published at the same time in a document that would go to every local authority and others concerned. Meanwhile nothing should be said in public about the decisions.

In discussion, the following main points were made:

- a. This further measure of help for Community Charge payers came in addition to the substantial help which the Government had already agreed to provide in other ways. The cost of Community Charge benefit in 1990-91 would be about £500m more than the cost of rate rebates. The Government had also announced that it would pay some £200m in grants to the Inner London authorities and low

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rateable value authorities to help them with the transition. With this new scheme of transitional relief the total figure would be over £1 billion. Further effort was needed to get public understanding of the scale of this assistance. It was not, for example, yet fully understood that Community Charge benefit was paid well above the basic income support level.

b. It was essential to make it clear in public presentation that the Government regarded the decision to provide the further assistance as the end of the matter. It would be most damaging to imply in any way that the Government would or could do more.

c. The details of the scheme must be settled before an announcement was made. Such an announcement would be followed by questions about exactly how the scheme would work in practice, and it was important that answers should be available at once. Presentation of the new scheme would need great care. The details were difficult and would need to be put across clearly in a package which included a simple explanation of Community Charge benefit.

d. It had to be recognised that operation of the scheme would impose a further burden on the local authorities. They would ask for more resources to finance the administration, and there was a risk that some of them would fail to do the job properly.

e. A decision about the length of the transition had not yet been taken. The Government should consider the withdrawal of this new scheme of relief, the area safety net and housing benefit rebates together and ensure that their combination did not have unacceptable results.

f. The announcements by the Minister of Local Government at the Conservative Party Conference and by Lord Hesketh in the House of Lords would have to be carefully coordinated. Any significant interval between them must be avoided.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the proposals described by the Secretary of State for the Environment, and he should now proceed as he had suggested. The extra expenditure resulting from the new scheme of relief would increase the difficulties of an already exceptionally difficult Public Expenditure Survey and offsetting reduction would need to be found from within the baselines of existing departmental programmes. The details of the scheme must be settled before the announcement so that the Government had answers to the questions that would be raised about how it would work in practice. It was essential that there should be no public reference whatever to the decisions now made, and no disclosure of any details, until they had been formally announced. The announcements would be made, as proposed, by the Minister of Local Government at the Conservative Party Conference on 21 October

and at approximately the same time by Lord Hesketh in the House of Lords. The Secretary of State for the Environment should agree the text with the Chancellor of the Exchequer.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Secretary of State for the Environment to proceed accordingly.

Cabinet Office

6 October 1989