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Conclusions

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CABINET

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

WEDNESDAY 24 JUNE 1987

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
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon Lord Havers
Lord Chancellor

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

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 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 Trade and Industry

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

The Rt Hon Kenneth Clarke QC MP
Chancellor of the Duchy of Lancaster

The Rt Hon Joan MacGregor MP
Minister of Agriculture, Fisheries and Food

The Rt Hon John Moore MP
Secretary of State for Social Services

The Rt Hon John Wakeham MP
Lord Privy Seal

The Rt Hon John Major MP
Chief Secretary, Treasury

ALSO PRESENT

The Rt Hon David Waddington QC MP
Parliamentary Secretary, Treasury

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SECRETARIAT

Sir Robert Armstrong
Mr C L G Mallaby (Items 3 and 4)
Mr A J Langdon (Items 1 and 2)
Mr J H Holroyd (Items 3 and 4)
Mr S S Mundy (Items 1 and 2)

C O N T E N T S

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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.

HOME
AFFAIRS

2. THE PRIME MINISTER said that it was important that Ministers should take the opportunity in discussion of Home Affairs at meetings of the Cabinet not only to report on current problems but also to draw attention to any matters which were likely to cause difficulty in the period ahead.

Prisons
Previous
Reference:
CC(87) 19.2

THE HOME SECRETARY said that the prison population was continuing to rise. It had reached 50,000, with some 500 prisoners being accommodated in police cells the previous week. A major component was the remand population which now accounted for 20 per cent of the overall prison population. He had recently been in touch with the Chief Secretary, Treasury about the possible need to use camps and about the provision of bail hostels. He had also set in hand experiments on time limits for remands in custody with a view to reducing the remand population. He would continue to keep his colleagues in touch with developments.

Industrial
Action in the
Civil Service
Previous
Reference:
CC(87) 20.3

THE CHANCELLOR OF THE EXCHEQUER said that the industrial action by Civil Service unions appeared to be entering its final phase. Militant members of the National Executive of the Civil and Public Services Association (CPSA) had decided the previous day, against the advice of their General Secretary, to call a ballot on an indefinite all-out strike. It seemed very doubtful whether CPSA members would support a full strike, particularly given the fact that the Society of Civil and Public Servants (SCPS) had in the light of the CPSA's decision called off their industrial action. They would have their own opportunity of talking to the Treasury about a grading review and about long-term pay arrangements - matters which had always been open to them to raise with the Treasury. The Treasury had announced that the Government's pay offer would be implemented forthwith, back-dated to 1 April. They had also announced that they would set in train the mechanism for enabling them to end, should they wish to do so, the check-off system, under which union subscriptions were deducted from salaries and were forwarded to the unions.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet welcomed the possibility that the threat of further industrial action in pursuit of the Civil Service pay dispute might now be receding. It nonetheless remained very important that Ministers should act as good employers within their Departments. Moreover, even if the dispute came to an end, there would still be problems outstanding about levels of pay in the Civil Service.

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Nurses

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that there had been a number of reports in the press recently about the difficulties of recruiting nurses in the London area. The London allowance for nurses was significantly below that for civil servants. It was clear, however, that pay was not the only consideration; the problem of finding accommodation in London was an important factor and he was considering as a matter of urgency what could be done to alleviate this.

The Cabinet -

Took note.

Abolition
of Domestic
Rates

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he should warn his colleagues that they faced some exceptionally difficult decisions on the way in which domestic rates were replaced by the community charge in London. The problem was partly caused by the overspending of the Inner London Education Authority (ILEA) which spent markedly in excess of the national average of education authorities. In addition, however, a number of London boroughs were heavy over-spenders on their own account. The combination of their own spending and of the ILEA component would lead to unacceptably high community charges unless some new approach could be developed. The problem would be further compounded by the fact that many London boroughs would in 1989 begin to meet heavy costs in servicing the debts that they had incurred through creative accounting schemes. These were all deep problems that were inherent in the London situation: they could not be resolved by mere transitional devices.

In discussion the following main points were made -

- a. Although the London problem went wider than education, many of the major problems centred on ILEA. The Government's proposals to enable schools to opt out of the control of local education authorities were a reform that would hardly have begun to work through the system at the time the community charge was introduced.
- b. Schools that wished to opt out of ILEA control would undoubtedly want to carry the ILEA level of funding with them. Arrangements were needed that would give London boroughs and schools the incentive to deliver better quality education at lower cost than at present. Both objectives were undoubtedly attainable.
- c. One of the most important factors influencing the community charge in many high spending London boroughs was the future of the non-domestic rate. A borough such as Camden would be very hard hit when the national non-domestic rate was introduced and distributed as currently proposed.

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d. The high community charges that were predicted for certain London boroughs emphasised the importance of securing effective powers to cap community charges, so as to prevent irresponsible authorities from imposing excessive burdens on their charge-payers.

THE PRIME MINISTER, summing up the discussion, said that it had long been recognised that London presented particular problems for the community charge, and that much of the difficulty was due to ILEA. Decisions were now needed on these issues, so that work could proceed on the Abolition of Domestic Rates Bill and the Education Bill. The Secretaries of State for the Environment and for Education and Science should now bring forward papers urgently, for co-ordinated discussion in the appropriate Cabinet Committees.

The Cabinet -

2. Invited the Secretaries of State for the Environment and for Education and Science to bring forward papers for urgent discussion as the Prime Minister had indicated in her summing up.

Manpower
Services
Commission

THE SECRETARY OF STATE FOR EMPLOYMENT said that he would be meeting members of the Employment Policy and Organisation Committee of the Trades Union Congress (TUC) later that day. The TUC were likely to react strongly against the proposal to increase employer representation on the Manpower Services Commission (MSC). It was probable that they would withdraw from the MSC, if not in July then almost certainly during the TUC conference in the autumn. This would need careful handling and it would be important to make clear that the TUC had become increasingly unco-operative over MSC schemes.

In discussion the following main points were made -

- a. The TUC had recently been taking a more politicised attitude towards the MSC. This reflected its increasing domination by public sector unions.
- b. There were still very few Youth Training Scheme (YTS) trainees in the Government service. The Department of Employment had, however, taken on some YTS trainees over recent months with a view to this policy being extended to other Government Departments in due course.

The Cabinet -

3. Took note.

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FOREIGN
AFFAIRS

Iran/Iraq War
Previous
Reference:
CC(87) 20.4

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that more military activity was taking place in the northern sector of the war on land between Iran and Iraq, but this development did not seem to be of great significance. Iraq had resumed air attacks on naval targets, after a pause since the United States ship Stark had been hit by an Iraqi missile on 17 May. At the United Nations, the five permanent members of the Security Council were now consulting other members of the Council about their draft resolution calling for an end to the Iran/Iraq war; that resolution might call for an embargo on arms supplies to both belligerents. Iran had suggested a moratorium on attacks on shipping in the Gulf, but this seemed to be a diversionary move and should not be taken seriously.

Meanwhile, there had been no further trouble in the run-down of the diplomatic representation of the United Kingdom and Iran in each other's countries. Iran was withdrawing all staff from its Embassy in London except the Chargé d'Affaires.

Arab/Israel
Dispute

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Foreign Minister of Israel, Mr Shimon Peres, had had meetings on the previous day with the Prime Minister and himself. He would be seeing the Crown Prince of Jordan, Prince Hassan, later that day, and King Hussein would be in London in July. The central difficulty in securing progress towards negotiations about the Arab/Israel dispute was the difference between Mr Peres and the Israeli Prime Minister, Mr Yitzhak Shamir, on the question of an international conference. The Government were trying to help Mr Peres as much as possible in his campaign for such a conference, and would continue to encourage the United States to play a more active role. The time available for securing progress was limited, with the elections due in Israel as well as the United States in 1988.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Preparation
for the
European
Council,
29-30 June

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that at the Foreign Affairs Council on 22 June the atmosphere of crisis which the President of the Commission had appeared to be seeking to create was much less in evidence. There was general acceptance that the European Council on 29-30 June should not try to settle the details of the 1987 budget problem or of the agricultural price fixing: these should be for the specialist Councils. It was now more widely recognised that the major part of the 1987 budget problem could be solved by a switch from advances to reimbursement of agricultural guarantee expenditure. It was likely, however, that two major items which had become

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deadlocked in the Agriculture Council, namely the proposed tax on oils and fats and the Commission's proposals for changes in the agri-monetary system, would be raised at the European Council, though they would probably need to go back to the Agriculture Council for settlement. There was general agreement that the European Council would not take decisions on future financing for 1988 and beyond, but would give guidance for the continuing negotiations on Community financing, with a view to decisions towards the end of the Danish Presidency. The British Government should continue to make it clear that it would be ready to consider additional resources for the Community only when clear improvements in financial management and control, particularly in the control of agricultural spending, were assured.

In discussion it was pointed out that, in spite of the arrangements for the abatement of the United Kingdom's contribution agreed at the Fontainebleau European Council in 1984, the United Kingdom remained the second largest contributor to the Community's funds. Moreover, the financial control measures introduced at that time had proved to be defective. Future systems for financial management and control must be enforceable. The Community's present budgetary problems provided an ideal opportunity to press British objectives on financial management.

Agriculture spending in particular must be brought under control, with much less reliance placed on intervention. It was wrong that support levels within the Community should be geared to the needs of small farmers, when the arguments for maintaining those farmers on the land were primarily social or environmental arguments. There was a valid case for supporting certain groups of small farmers in all Community countries, including the United Kingdom; but different measures of support, particularly direct income aids with the possibility of national financing, should be considered. It was important that any such aids should not lead to an increase in production. As a means of controlling the Community's agricultural expenditure, the Commission was committed to making proposals for stabilisers, which would allow adjustments to be made in agricultural support regimes as market conditions changed so that budgetary provisions could be respected. British ideas in this area were being developed and would be put forward for discussion in the Community.

While at the Agriculture Council on 15-16 June there had been a qualified majority for the Commission's latest package of prices and market measures, which would themselves produce useful savings, at the European Council it would be important to sustain opposition to the proposed oils and fats tax and to seek to weaken the overall German veto of the price package. It was important to change the current agri-monetary system, which the Germans were seeking to defend, but which had the effect of forcing support levels upwards.

The overall budgetary context was relevant to expenditure on research and development funded by the Community.

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Foreign
Affairs
Council
22 June

THE FOREIGN AND COMMONWEALTH SECRETARY said that at the Foreign Affairs Council agreement had also been reached on a regulation on anti-dumping duties on components which would discourage Japanese and other exporters who had been able to find a way round Community anti-dumping duties by assembling within the Community imported parts with minimum local content. In addition, the Commissioner responsible for external trade matters had formulated in the Council a robust approach by the Community towards proposals for protectionist trade legislation in the United States. The Council had also agreed to proposals governing the types of committee which it would set up to monitor and regulate the powers of the Commission in the execution of agreed Community policy.

The Cabinet -

Took note.

Cabinet Office

24 June 1987

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