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Conclusions

CABINET

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

THURSDAY 7 JULY 1988

at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP  
Prime Minister

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer

The Rt Hon Lord Mackay of Clashfern  
Lord Chancellor

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

The Rt Hon George Younger MP  
Secretary of State for Defence

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 John MacGregor MP  
Minister of Agriculture, Fisheries  
and Food

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

The Rt Hon Paul Channon MP  
Secretary of State for Transport

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

The Rt Hon John Wakeham MP  
Lord President of the Council

The Rt Hon The Lord Belstead  
Lord Privy Seal

The Rt Hon Cecil Parkinson MP  
Secretary of State for Energy

The Rt Hon John Major MP  
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon David Waddington QC MP  
Parliamentary Secretary, Treasury

The Rt Hon Lynda Chalker MP  
Minister of State,  
Foreign and Commonwealth Office

The Rt Hon Peter Brooke MP  
Paymaster General

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SECRETARIAT

Sir Robin Butler

Mr R G Lavelle (Items 3 and 4)

Mr P J Weston (Items 3 and 4)

Mr A J Langdon (Items 1 and 2)

Mr S S Mundy (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.

Local  
Government  
Finance Bill

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that a number of issues on the Local Government Finance Bill would need to be settled in the next few days. He had already proposed to his colleagues on the Ministerial Steering Committee on Economic Strategy, Sub-Committee on Local Government Finance (E(LF)) that the Government should accept an amendment, which had been carried at Report Stage in the House of Lords against its advice, which sought to require student nurses, in common with other students, to pay only 20 per cent of the community charge, and that the Government should bring forward an amendment to exempt from the community charge those in short-stay hostel accommodation. On the other hand, he was convinced that the Government could not accept a further amendment which sought, on top of an 80 per cent rebate to all disabled people, to increase benefits by a sum equal to the average of the remaining 20 per cent and to require local authorities to give a further grant where the 20 per cent liability exceeded the average. The Government spokesman in the House of Lords had undertaken to consider the suggestion, which had attracted very strong support at Report Stage, that relief for charities should be increased from 50 per cent to 100 per cent, and he believed that it might be possible to achieve a compromise which the House of Lords could accept.

In discussion it was noted that there was widespread public concern about the exploitation of the current law by apparently bogus charities which were nevertheless able to claim charitable status. Legislation would be required in due course to implement the proposals in the report by Sir Philip Woodfield into the work of the Charity Commission, and consideration could be given to whether that Bill should be expanded to propose changes to the substantive law on charities. It might be that a more promising alternative would be to tighten the definition of charities for taxation and local government finance purposes but not for more general purposes. More immediately, the outstanding issues on the Local Government Finance Bill relating to the disabled and to charities brought together the two most effective lobbies in the House of Lords and it would be difficult if both were opposed to the Government's position.

THE PRIME MINISTER, summing up the discussion, said that the Secretary of State for the Environment should circulate urgently to E(LF) proposals for handling the issues outstanding from the consideration of the Bill in the House of Lords, taking account of the points made in discussion.

The Cabinet -

1. Invited the Secretary of State for the Environment to proceed as the Prime Minister had indicated in the summing up of the discussion.



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Rate Support  
Grant

THE SECRETARY OF STATE FOR ENERGY said that he had the previous day presided at a meeting of the Ministerial Steering Committee on Economic Strategy, Sub-Committee on Local Authority Expenditure (E(LA)), which had reached important conclusions on the future of the present Rate Support Grant (RSG) machinery. These conclusions needed to be announced with the least possible delay. The problem arose because the 1989-90 RSG settlement would be the last in England and Wales before the introduction of the community charge. There was a real risk that local authorities would seek to exploit the opportunities for increasing Exchequer grant through creative accounting to the maximum possible extent in the period up to the end of 1989-90. Firms in the City were already advising local authorities how to set about this and many hundreds of millions of pounds might be at risk. To counter these dangers, the Secretary of State for the Environment had proposed to E(LA) that the existing RSG system should be closed down early, so that the grant paid to local authorities for 1989-90 would be directly fixed by the RSG settlement assumptions, and would not vary with authorities' actual expenditure. Grant for all previous years would also be fixed on the basis of the expenditure returns that authorities had already made, and the scope for any further creative accounting would thus be removed after the announcement of the Government's intentions. E(LA) had agreed to these proposals. Closedown of the RSG system would mean that the full amount of grant provided in the settlement would be paid out to local authorities, and that no grant would be forfeited to the Exchequer as under the present arrangements. With that in mind, E(LA) had agreed that Aggregate Exchequer Grant for 1989-90 should be set at £13,575 million for England; this was an increase of £600 million over the figure for 1988-89, and was just above expected inflation. E(LA) had also agreed that provision for local authority current expenditure in England should be set at £29,440 million, which represented a call of nearly £1.4 billion on the Reserve. That would allow non rate capped authorities to increase spending roughly in line with inflation. The criteria that E(LA) had agreed for rate capping in 1989-90 would lead to the selection of seven general purpose authorities and the Inner London Education Authority. A short Bill, which could be expected to be certified by the Speaker as a Money Bill, would be needed to close down the RSG system in the way proposed, and it was important that the Government's intentions should be announced as soon as possible, since local authorities would have every incentive to evade the closedown proposals if they were to get wind of them. He accordingly sought the Cabinet's endorsement of the conclusions reached by E(LA) and their agreement that the Secretary of State for the Environment should announce them that afternoon. A corresponding statement would be required in respect of Wales, and a statement of the provision and grant figures for Scotland would also be needed in due course, though the closedown proposals would not apply there.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that, whatever action the Government took, some local authorities might try to restrain their rates in 1989-90 and then increase the community charge they levied, in an attempt to embarrass the Government; but closing down the RSG system offered the prospect of controlling the worst excesses of such behaviour. The presentation of the level of Aggregate

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Exchequer Grant would need to be kept in mind, in the light of the Government's commitments, as the introduction of the community charge drew nearer. In addition to the closedown proposals, Aggregate Exchequer Grant total, and rate capping criteria that the Secretary of State for Energy had reported, he proposed that his statement that afternoon should also encompass the publication of the Green Paper on the control of local authority capital expenditure which had now been agreed among the colleagues concerned.

In discussion the following main points were made -

a. The grant settlement approved by E(LA) was generous, especially when the ending of forfeiture of grant to the Exchequer was taken into account. It had been reached by E(LA) on the understanding that no more grant should be conceded, whatever the backbench pressures when the Bill was before Parliament, and that the legal machinery for blocking off claims from previous years should be absolutely watertight.

b. It was possible that the Government might be vulnerable to legal challenge if it made a Rate Support Grant settlement for 1989-90 in the way proposed before the authorising legislation was on the statute book. The argument would be that information about local authorities' expenditure that had reached the Government after the date of the announcement could not reasonably be ignored by the Government so long as the existing statutory framework for decision-making continued to exist. If further legal advice confirmed these doubts and if it appeared that local authorities were preparing to challenge the Government's position in this way, then it would be necessary for the legislation closing down the RSG system to be enacted before the announcement of the RSG settlement, which was customarily made in about December. If that date were to be honoured, the legislation would need to be passed in the overspill period of the present Session, or possibly in the opening weeks of the next Session.

c. The Bill to close down the RSG system should not be introduced until the responsible Ministers were absolutely satisfied with it, since substantial Government amendment to the measure during its passage would give an unfortunate impression. On the other hand, some price would have to be paid for the addition of this measure to the legislative programme, and it would be particularly difficult to secure its passage during the present Session unless it were introduced and published before the Summer Recess. It could not be assumed that such a highly technical measure could be perfected so quickly, although every effort would be made. It was also essential that the Bill should be accepted as a Money Bill, and the precedents suggested that it would be.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet had endorsed E(LA)'s conclusion that legislation should be introduced to



close down the existing Rate Support Grant system and fix the grant that would be paid to local authorities in 1989-90. The Cabinet had also agreed E(LA)'s conclusions, reported by the Secretary of State for Energy, on Aggregate Exchequer Grant, provision for local authority current expenditure, and rate capping in 1989-90. The Secretary of State for the Environment should make a statement on all these matters in the House of Commons that afternoon. His statement should also encompass the publication of the Green Paper on the control of local authority capital expenditure. The Minister of State, Welsh Office, should make a corresponding statement in respect of Wales that afternoon. The timing of the legislation to close down the Rate Support Grant system would need to be carefully considered in the light of further legal advice.

The Cabinet -

2. Invited the Secretary of State for the Environment and the Minister of State, Welsh Office, to make statements in the House of Commons that afternoon on the lines indicated by the Prime Minister in her summing up of the discussion.

3. Invited the Secretary of State for the Environment to consult the Lord President of the Council, the Chief Secretary, Treasury, and the Attorney General about the necessary timing of legislation to close down the Rate Support Grant machinery.

HOME  
AFFAIRS

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Piper Alpha  
North Sea  
Oil Platform  
Explosion

2. THE SECRETARY OF STATE FOR ENERGY said that there had been a very serious explosion and fire the previous evening on the Piper Alpha oil platform operated by Occidental Petroleum which was situated about 120 miles north-east of Aberdeen in the North Sea. The latest information was that only 63 of the 227 people on board the rig had been rescued and the prospects of finding further survivors must be remote. The explosion, whose main impact appeared to have been felt in the crew's living quarters, had virtually destroyed the platform. Full emergency procedures had been brought immediately into effect and a substantial number of rescue vessels had been quickly mobilised. The survivors, many of whom had been injured, had been taken to Aberdeen. The flow of oil at the Piper Alpha rig and at all other rigs in the oilfield had been closed down and a pollution control vessel had been despatched to deal with the oilslick which had developed around the damaged platform. The Minister of State, Department of Energy, had flown to the emergency control room at Aberdeen and would visit the survivors as soon as possible. It would be very difficult to establish the cause of the explosion. There was no evidence that sabotage was to blame, and there was no reason to link it with recent incidents at, or to close down, other rigs. He was considering the form of the inquiry which it would be necessary to establish into the explosion, but was inclined towards a



public inquiry rather than an internal one by his Department's safety inspectorate, who had completed their routine annual inspection of the rig as recently as 28 June.

THE PRIME MINISTER said that the Cabinet would wish to place on record their condolences for those bereaved and injured and their appreciation of the efforts of the rescue and emergency services. The Secretary of State for Energy should make a statement in the House of Commons that afternoon and should consider urgently, in consultation with the Lord Chancellor and the Lord Advocate, the form of the inquiry which would be needed into the causes of the explosion, taking account of the paramount need to reassure those who worked on rigs that all possible steps were being taken to ensure their safety.

The Cabinet -

1. Recorded their condolences for those bereaved and injured in the explosion on the Piper Alpha North Sea oil rig and their gratitude for the work of the rescue and emergency services.
2. Invited the Secretary of State for Energy, in consultation with the Lord Chancellor and the Lord Advocate, to consider the form of an inquiry into the disaster, as indicated in the Prime Minister's summing up.

Football  
Hooliganism  
Previous  
Reference:  
CC(88) 23.5

THE PRIME MINISTER said that she and other colleagues had seen representatives of the football authorities the previous day to discuss with them the need to take action to curb football hooliganism. She had told the football authorities of the steps which the Government were taking, about which the Home Secretary and the Secretary of State for the Environment had informed the Cabinet at their previous meeting; and in particular of their decision to introduce legislation, if necessary, to establish a national membership scheme under which only spectators with membership cards would be admitted to Football League matches in England and Wales.

In discussion it was noted that the police adviser to the Football League had indicated at the meeting that the police sometimes admitted into grounds groups of trouble-makers without tickets where this seemed the best way of containing any potential violence. It would be important, in the interests of discouraging those outside the membership scheme from travelling to matches, to ensure that those without membership cards were not admitted to Football League grounds and to encourage overseas police forces in countries where the England team was playing to take a similarly firm line. The Home Secretary would announce later that day that he would be working with Coventry City Council with a view to preparing a bye-law to ban the consumption of alcohol in public places.



The Cabinet -

3. Took note.

FOREIGN  
AFFAIRS  
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United  
States/Iran  
Relations

3. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (Mrs Chalker) said that as a result of a tragic accident on 3 July, 298 lives had been lost when an Iranian Airbus on a scheduled flight from Bandar Abbas to Dubai had been shot down by the USS Vincennes. A full United States naval investigation was now under way as to how the accident had occurred. Meanwhile in public comment the United Kingdom, while deploring the tragedy, had stressed the right of self-defence for United States naval forces in the Persian Gulf under Article 51 of the United Nations Charter. It was important to continue this public line given the presence in the Gulf of the Royal Navy Armilla patrol. Unfortunately other European countries who also had naval forces there, such as France and Italy, had been less forthright. Iran had requested a meeting of the United Nations Security Council and was canvassing a draft resolution condemning the United States and demanding withdrawal of foreign forces from the Persian Gulf. Iran's initial response to the accident therefore seemed to be primarily political and rhetorical. But there was clearly an increased threat of attack on United States interests, as the designation of 7 July as "Death to the United States Day" in Iran showed. The additional risk to United Kingdom interests was not assessed to be high, except by association with the United States. In particular, the threat to the Armilla patrol had not significantly increased beyond that associated with the general consequences of heightened tension. The Government had signed on 6 July with Iran an agreement covering compensation for damage to diplomatic premises in London and Iran.

Irish  
Terrorist  
Bomb Attempt  
in Gibraltar  
Previous  
Reference:  
CC (88) 15.3

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the preliminary hearing to decide certain procedural questions had taken place in Gibraltar on 4 and 5 July. The Foreign and Commonwealth Secretary would be meeting with colleagues concerned later that day to consider the implications of the Coroner's decisions. The substantive inquest would open in Gibraltar on 6 September. Meanwhile, public statements by the Government should not go beyond the line taken by the Secretary of State for Defence on 5 July, who had said that the Government hoped the members of the security forces who were potential witnesses would be able to attend the inquest since they had a good and straightforward story to tell, but that the final decision whether to go was for them.

In discussion, it was noted that the members of the security forces who had gone to Gibraltar to carry out the operation against the terrorists had been acting under orders from the Government and with specific rules of engagement. It was important to avoid conveying the impression



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publicly that the Government was placing on them the onus of deciding whether to attend the inquest and was not fully conscious of its responsibilities toward them. This could be brought out by stressing that the question of their possible attendance at the inquest was being considered by all the relevant authorities and that the members of the security forces concerned would have the benefit of official support and advice as well as advice from their own legal representatives. It was equally important not to give the impression that they were being put under pressure to attend the inquest against their judgment of their own best interests.

Soviet Union  
Special  
Party  
Conference

Previous  
Reference:  
CC(88) 23.3

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that assessments of the recently concluded Special Party Conference in Moscow had confirmed that it was a landmark in Soviet political life. It had introduced a new vitality into the debate there and represented a victory for the concept of glasnost which would set a precedent for the conduct of dialogue throughout Soviet political life that would be difficult to erase. The break with the Stalinist past had been symbolised by the decision to build a memorial in Moscow to the victims of Stalinism. But it was also clear that the majority of delegates at the Special Conference had been what might accurately be described as diehards and reactionaries. Many references during the Conference to the excesses of glasnost had been applauded. The powerful critique by Politburo member Mr Yigor Ligachev directed against a fellow Politburo member Mr Boris Yeltsin and the former's rejection of the attacks on Party privilege had been well received. There would be plenty of opportunities for procrastination over implementation of the reform programme. Nevertheless, the General Secretary of the Communist Party, Mr Mikhail Gorbachev, had emerged from the Conference with his own authority enhanced. His assumption of the new executive Presidency would if confirmed further increase his power and his ability to bypass the diehard elements of the Party structure. Equally the Conference had brought out clearly the extent of the opposition to Mr Gorbachev's proposed reforms and had confirmed Mr Ligachev as the leading "conservative" in Soviet party terms.

Visit to  
Africa by  
Leader of the  
Opposition

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the Leader of the Opposition, Mr Neil Kinnock, would be setting off that day for a ten day tour of Africa, visiting Zambia, Botswana, Zimbabwe and Mozambique. A very large press contingent would be accompanying him. It was fair to assume that Mr Kinnock would be seeking wide publicity during these visits, for example by going to the sites of cross-border raids. He would no doubt also criticise the Government's policy toward South Africa. The Foreign and Commonwealth Secretary had briefed Mr Kinnock on Privy Counsellor terms. It would be important that any rebuttal of public statements by the Leader of the Opposition should be made by Ministers, and diplomatic posts in the area had been briefed

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accordingly. The press party included some journalists who were very well informed and who would be quick to criticise any naivities on the part of Mr Kinnock.

The Cabinet -

Took note.

COMMUNITY  
AFFAIRS

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Drought in  
the United  
States of  
America

Previous  
Reference:  
CC(88) 23.3

4. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (Mrs Chalker) said that in response to the suggestion of the Secretary of State for Trade and Industry, arrangements were being made for circulation of a short note on the current drought in the United States. This would cover its possible implications for the United States Presidential election, the European Community (EC) budget and the Uruguay Round. In discussion it was noted that it was still too early to reach a final view on the effect of the drought: much would depend on whether there was rain over the coming fortnight. The effects on United States wheat production should not be exaggerated since winter wheat accounted for 75 per cent of the harvest and had not been affected. The effects on soya beans and maize could however be serious. There had also been secondary effects on livestock prices. There was danger of development of a belief that because of the drought it would no longer be necessary to be concerned about surpluses. Such an approach would be misconceived. There would still be surpluses and the drought should not affect long term agricultural strategy. The impact of the drought on world prices would lead to savings on the EC budget. But we should also not play up this effect. It was important to distinguish between the effects of weather on estimates of expenditure and the impact of policy changes. We should not relax policy.

President  
of the  
Commission's  
Speech to  
European  
Parliament

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY drew attention to press reports of a speech by the President of the Commission, Monsieur Delors, in which he had apparently expressed the view that the existing system of national parliaments would within seven years have to give way to the embryo of a European government and that within ten years 80 per cent of economic legislation would be of European rather than national origin. In a brief discussion it was noted that subject to confirmation of the accuracy of the press reports, opportunity might need to be taken to take the President of the Commission to task. It was however not unusual for him to express sentiments on these lines when addressing the European Parliament.



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1988 Price  
Fixing

Previous  
Reference:  
CC(88) 23.4

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that it was still not clear how the Greek Presidency would take forward the unresolved question of devaluation of the green drachma. The next Agriculture Council would take place on 18-19 July. He had continued to take the line with Community colleagues that there should be no further concession to the Greeks as agreed at the Cabinet's discussion in the previous week.

The Cabinet -

Took note.

Cabinet Office

7 July 1988

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