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26th
Conclusions

COPY NO 76

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 21 JULY 1988
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 Mackay of Clashfern
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 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 Peter Brooke MP
Paymaster General

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SECRETARIAT

Sir Robin Butler
Mr R T J Wilson (Item 2)
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.

Health and
Medicines
Bill

The Cabinet had a discussion about the Health and Medicines bill. The discussion is recorded separately.

Previous
reference:
C(88) 27.4

HOME AFFAIRS

Piper Alpha
North Sea
Oil Platform
Explosion

Previous
reference:
C(88)25.2

2. THE SECRETARY OF STATE FOR ENERGY said that the fire at the largest of the oil wells at the Piper Alpha platform had now been extinguished and efforts were continuing to put out the fires at the remaining four wells. A further survivor of the explosion had died, bringing the toll of those dead and missing to 167. 131 bodies had yet to be recovered and it appeared that most of them were contained in the accommodation section, which rested overturned on the sea-bed. Both the righting and the lifting of that section would be difficult operations. Seven survivors remained in hospital and 55 had already been discharged. Preliminary work on the inquiries he had established was proceeding well and there was good co-operation between the Procurator Fiscal and his inspectorate. The material that the technical inquiry would need to examine was for the most part lodged within the frame of the platform and it would not be possible to recover it until the platform had been made secure. While that was hampering progress, he had been promised an interim report within 6 weeks and hoped to have the final report within a further month. The preliminary hearings of the public inquiry to be chaired by Lord Cullen might take place in October. On the previous Tuesday he had met the trade unions and had been astonished to find that they had not realised that the Health and Safety at Work Act had been extended over ten years previously so as to apply to offshore installations, such as the Piper Alpha rig. That totally undermined the position which the unions had been taking which had been based on the misconception that the Health and Safety at Work Act did not so apply. The unions had pressed him very hard to make available to them copies of reports on safety issues, in particular his Department's report on an incident on the Piper Alpha platform in 1984. He had explained to them that all such reports would be made available to the public inquiry, which would release any material which Lord Cullen believed that other witnesses might require in order to present their cases. The prospect of the trade unions taking industrial action has now receded and he believed that industrial relations should enter a calmer period. He knew that the companies responsible for other oil platforms were redoubling their efforts to promote safety, and any lessons which emerged from the inquiries would certainly be made known to them without

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delay. However, until progress had been made with establishing what had happened on the Piper Alpha platform, it would be premature to offer guidance or encourage speculation about the causes.

The Cabinet

1. Took note.

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that Mr Nicholas Winterton MP and "The Times" newspaper were leading a campaign for the Government to compensate the 11,000 or so mainly retired investors who had lost money as a result of the collapse of the Barlow Clowes companies in the United Kingdom and Gibraltar. Even if the inquiry which he had established into his Department's handling of Barlow Clowes disclosed shortcomings these could only relate to the United Kingdom company and it was the Gibraltar company in which the great bulk of the losses had occurred. In any case, many other organisations and institutions had been more directly involved than the Government as intermediaries or advisers. It was for consideration whether it might be in the interests of both the Government and investors in Barlow Clowes for the Government to inspire guidance designed to damp down any unrealistic expectations that the Government should be looked to as the primary source of compensation.

In discussion, it was noted that it could be highly damaging for the Government to offer guidance which was capable of being misinterpreted as anticipating the outcome of the inquiry. More generally, the Barlow Clowes affair raised the question whether some financial advisers might be influenced more by the size of the commissions available to them than by their clients' best interests. It would be important for the future to ensure that the statutory requirements on the disclosure of commissions and arrangements for investors to have the protection of insurance against such losses were fully adequate.

THE PRIME MINISTER, summing up the discussion, said that nothing should be said in advance of the completion of the inquiry into the Department of Trade and Industry's handling of Barlow Clowes which was capable of being misrepresented as anticipating its outcome. When the report of the inquiry had been received, consideration might need to be given to the adequacy of existing legislative requirements governing the disclosure to potential investors of the commissions associated with schemes recommended by their financial advisers and other measures to increase the protection of investors.

The Cabinet -

2. Took note, with approval, of the Prime Minister's summing up of the discussion and invited the Secretary of State for Trade and Industry to be guided accordingly.

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Fast Reactor
Programme

THE SECRETARY OF STATE FOR ENERGY said that, at its meeting earlier in the day, the Ministerial Steering Committee on Economic Strategy, Sub-Committee on Economic Affairs, had considered his proposals for the future of the fast reactor programme. The Sub-Committee had agreed that the programme should be scaled down substantially. The Prototype Fast Reactor at Dounreay would be closed down in 1993-94 and the reprocessing plant there would be closed down three years later. Work on the fast reactor at other establishments of the United Kingdom Atomic Energy Authority would be reduced from some £54 million per annum to £10 million per annum over the next eighteen months. He would be reporting these decisions to the House of Commons later that day.

In discussion it was noted that the delay in closure of the Dounreay plant would provide time for consideration to be given to alternative employment in the area, either in the nuclear field or in other activities.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the Secretary of State's proposals and agreed that he should report them to Parliament later that day. This was an important strategic decision which would in time permit the release of significant resources for scientific work of higher priority.

The Cabinet

3. Took note, with approval, of the Prime Minister's summing up.

FOREIGN
AFFAIRS

Iran/Iraq

Previous
reference:
(88) 15.3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that Iraq had greeted with understandable suspicion the announcement by Iran on 17 July that she accepted United Nations Security Council Resolution 598 and the call for a ceasefire contained therein. Iraq believed that Iran might merely be playing for time and was therefore unwilling to relax military pressure until Iranian intentions were clear. For that reason it was important that the United Nations and the Secretary General, Mr Perez de Cuellar, in particular should move rapidly to make the most of this opportunity and to settle the technical arrangements for a ceasefire. With Security Council Resolution 598 now accepted by all parties, the aim was the full and rapid implementation of all its provisions. The Iranian Airbus incident could also be closed if Iran were prepared to co-operate with the United States in enabling the International Civil Aviation Organisation's investigation to be completed. The acceptance by Iran of Resolution 598 was certainly good news as far as it went and the United Kingdom deserved credit for the prominent diplomatic role played from the outset in getting the Resolution passed and followed up. One could not assume that progress would be straightforward from now on. But a genuine peace in the Gulf would have major implications in relation to the oil market, the

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position of the Organisation of Petroleum Exporting Countries and trading prospects, as well as for relations with Iran more generally. It would be worth considering these implications on a contingency basis.

Southern
Africa
Previous
Reference:
C(88)25.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the agreement in principle which had been announced on 21 July between South Africa, Angola and Cuba promoted and assisted by the United States, was a welcome and encouraging step. It provided for the way forward toward Namibian independence together with the withdrawal from the region of all foreign troops, including the Cubans. There had been parallel contacts in New York between military delegations which offered some grounds for hope that the military situation on the ground would remain calm. But there was a very long way to go before all the details were worked out to make the agreement firm. There were grounds for caution about whether the Cubans were really ready to leave Angola, but there were some signs that the Soviet Union did want that.

The 70th birthday earlier that week of the imprisoned leader of the African National Congress, Mr Nelson Mandela, had passed without serious disorder in South Africa. The Government would continue to urge the South Africans to release Mr Mandela. There had been hints from the South African Minister for Information that Mr Mandela might indeed be released at some stage, but too much weight could not be put on these. The South African Government did not yet seem to realise that keeping Mr Mandela in prison did them more harm than good.

United
States
Presidential
Election
Campaign

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Convention of the United States Democratic Party in Atlanta, Georgia, that week had confirmed Mr Michael Dukakis as the Democratic candidate for the United States Presidential Election in November with Senator Lloyd Bentsen as the Democratic Vice-Presidential nominee and with the active support of the Reverend Jesse Jackson. Mr Dukakis would thus be approaching the Election with a well-balanced team of right wing and left wing support respectively. Not much could be inferred from the party platform adopted at the Convention about the future policies of a Dukakis Administration, since such documents had no lasting status.

The Cabinet -

Took note.

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4. THE FOREIGN AND COMMONWEALTH SECRETARY said that a revised Trade Bill was now being debated in Congress. The President was very unlikely to veto it. In its revised form, the Bill still contained some objectionable provisions. But the alternative of a new Bill in 1989 might well be worse. In the circumstances, he did not believe that we or the Commission should lobby against the Bill. We could continue to make known objections to individual elements in it.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that at its meeting on 18/19 July, the Agricultural Council had finally reached agreement on the 1988 agricultural price package. Agreement had been virtually reached some weeks previously but had been held up by the problem of devaluation of the green drachma on which issue the Greeks had invoked the Luxembourg Compromise. Subsequently it had been thought that an agreement had been reached on a solution to this issue. However, the Greeks had disputed the agreement reached and had sought to re-open it. A number of member countries had appeared prepared to contemplate some further concession. He had however resisted this, on the basis that an adequate offer had already been made and that successive invocations of the Luxembourg Compromise in this area created a damaging precedent. The Commission had also remained firm and a satisfactory outcome had now been reached.

The Cabinet -

Took note.

Cabinet Office

21 July 1988

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CABINET

LIMITED CIRCULATION ANNEX

CC(88) 26th Conclusions, Minute 1

Thursday 21 July 1988 at 10.30 am

Health and
Medicines
Bill
Previous
reference:
CC(87) 27.4

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that on 10 September 1987 the Cabinet, after very careful consideration of all the arguments, had agreed that the Health and Medicines Bill should include provisions to enable the imposition of charges for dental examinations under the National Health Service (NHS) and to end the free NHS sight test for those who could afford to pay. On the previous Tuesday, during the Bill's Committee Stage, the House of Lords had passed amendments to remove both provisions from the Bill. The yield from the new charges, taken together, was estimated at £134 million a year, and the bulk of that money was needed to offset other improvements in primary health care to which the Government was committed. Those improvements and the changes in charging arrangements were, therefore, a carefully considered package, and he did not believe that the House of Lords' rejection of the charging provisions could be accepted. A number of Government supporters in the House of Commons had, however, indicated their approval of the action taken in the House of Lords, and many of those who disagreed with the Government on the charging issue were not susceptible to reasoned argument, since they saw free medical examination as a matter of inviolable principle. He would shortly consider with the Business Managers in both Houses how best to proceed in order to secure a favourable outcome during the overspill part of the Session.

In discussion the following main points were made -

- a. The proposed charges would only be required from those who could afford to pay them, as were other dental and optical charges to which the public was well accustomed. Past increases in dental charges had not deterred people generally from seeking treatment, and there was no reason to suppose that modest charges for examination would have that effect. In the case of optical charges it was likely that if the NHS were to withdraw from financing eye tests the opticians would provide that service free in order to attract custom. The Government's proposals were a manifestly fair and reasonable way of raising some of the money that the NHS required.

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b. Although the amendments in question were within the constitutional competence of the House of Lords, it was unreasonable for that Chamber to seek to undo such carefully calculated public expenditure decisions. The critics of the charges had no valid alternative proposals for providing a similar amount of funds within the NHS. On the other hand, much heavy legislation remained to be taken through the House of Lords in both the present and future sessions, and it was not the right time to stimulate a debate on the proper extent of the Lords' powers. So far as immediate handling of the matter was concerned, there was a convention in the House of Lords that the Government did not seek to use the Report stage of a Bill to reverse defeats in Committee. Although this convention might not be binding, it would be very damaging if the Government sought to reverse the amendment and suffered a further defeat.

c. While a bald statement that it was proposed to reverse the defeats in the House of Commons would not be the best way of handling the matter, the Government needed to give an immediate indication of its views. Unless that was done, the Government's critics on this issue might seize the initiative and work up a degree of public feeling that severely restricted the Government's room for manoeuvre.

d. The Government's critics believed, albeit misguidedly, that free examinations should continue to be provided because of their importance in terms of preventive medicine. The Government's response should recognise the strength of feeling on that issue and should seek to defuse it. A way of doing that might be to offer assurances on the way in which this aspect would be monitored, or to see if other ways could be found of making minor adjustments to the proposals without damaging their main substance.

THE PRIME MINISTER, summing up the discussion, said that, in order to retain the initiative, the Government should indicate that no new arguments had been introduced in the House of Lords and that the Government continued to believe, and would argue vigorously, that the linked proposals on primary health care improvements and on charges for dental and optical tests were a balanced and justifiable package. The Social Services Secretary should consider with the Lord President of the Council, the Lord Privy Seal and other Ministers concerned what steps might be taken to make the proposals more palatable to Parliament, and thus improve the prospects of reversing the House of Lords amendments, without jeopardising the substance of the proposals.

The Cabinet -

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

Cabinet Office

22 July 1988