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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 27 OCTOBER 1988
at 10.00 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 Norman Fowler MP
Secretary of State for Employment

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 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 Security

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 Rt Hon Antony Newton MP
Chancellor of the Duchy of Lancaster

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 G Lavelle (Items 3 and 4)
Mr A J Langdon (Items 1, 2 and 5)
Mr N H Nicholls (Items 3 and 4)
Mr S S Mundy (Items 1, 2 and 5)

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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.

Social
Security
Announcements

THE SECRETARY OF STATE FOR SOCIAL SECURITY said that he proposed to make a statement in the House of Commons that afternoon announcing the level of the annual uprating of social security benefits. The Retail Price Index had risen by 5.9 per cent in the twelve months to September 1988 but it had earlier been subject to an error which had been corrected during that period. The main rates of contributory benefits, including retirement pensions, and benefits for war pensioners, disabled people and others would be increased either by 5.9 per cent or by the amount arrived at by recalculating the benefit from the last correct rate in July 1986 using the adjusted movement in prices since that time, whichever figure was the higher. Income-related benefits would also be raised and there would be additional help for disabled people, improvements in the scheme for exceptionally cold weather payments and adjustments to income support levels to help with the minimum 20 per cent contribution which recipients would be required to make to the community charge. However, attention would undoubtedly focus on the decision to leave the child benefit rate unchanged while devoting substantial additional resources to lower income families with children. If child benefit had been increased, the whole of that increase would have been offset by automatic reductions in family credit and income support for families in receipt of those benefits, with the result that the poorest families would have gained nothing. He had therefore decided instead not only to uprate family credit and income support in line with inflation, at a cost of £135 million per annum, but also to increase by 50 pence per week the child credit in family credit and the child allowance in income support at a cost of £70 million per annum. Those arrangements would provide extra benefits for 3 million families most in need. It would be important to encourage people eligible for those benefits to claim them and he was considering measures to improve take-up. By targetting child support in the way he had described, the substantial additional resources which were being provided would be directed to those most in need. He was making arrangements for the full details of the uprating to be circulated to his Ministerial colleagues and a brief would also be provided for backbench Government supporters.

In discussion, it was noted that, in presenting the decisions on child support, it would be important to stress that a general uprating of child benefit, far from providing the same level of support across the board, would have had the perverse effect of providing additional resources for higher income families, who had already benefitted substantially from the reduction in income tax in that year's Budget, but no extra money at all for those most in need. The Government were instead providing an additional 50 pence per week for children in poorer families on top of the uprating of family credit and income support inline with inflation. It would be important to emphasize also that a family with two children aged, say, 12 and 14 would be eligible for family credit even if they earned as much as £9,300 per annum.

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THE PRIME MINISTER, summing up the discussion, said that while the Government had pledged that it would maintain the value of certain benefits, it was not committed in any way to the indexation of child benefit and the Secretary of State for Social Security's proposals were fully in line with the Government's manifesto at the last General Election. The Government could be proud of its record on child support, which was a great deal better than that of the previous Labour Administration. The Cabinet agreed the Secretary of State for Social Security's proposals and that he should announce them in the House of Commons that afternoon. In presenting the proposals as a whole, the Government should emphasise the main points which had been made in the Cabinet's discussion and make clear that it was increasing in line with inflation those benefits whose value in real terms it had pledged to maintain.

The Cabinet -

Approved the Secretary of State for Social Security's proposals for uprating social security benefits and agreed that he should announce them that afternoon.

HOME AFFAIRS

Unemployment
in London

2. THE SECRETARY OF STATE FOR EMPLOYMENT said that he would be publishing the following week two surveys concerned with unemployment in London that showed that in the previous summer 288,000 people had been claiming unemployment benefit in London even though there were some 150,000 unfilled vacancies, at least one-third of which required no previous experience or knowledge. Many of the longer-term unemployed had good qualifications, with almost one in ten having gained a degree and nearly one-half having achieved some academic or vocational qualification. Around one-half of the longer-term unemployed in London were unmarried, about seven in ten of them had no dependant children and the majority were below the age of 40. While just over one-half of them visited Jobcentres on a weekly basis, around 70 per cent had never approached a private employment agency. Two conclusions emerging from the surveys were that there was a well-developed black economy in London and that a large proportion of unemployed people were not looking for jobs in any sustained way. There was accordingly a strong case for taking further steps to encourage them back into work.

In a brief discussion, it was suggested that when unemployment had been lower, vacancies had also been lower. If this was confirmed, it supported the conclusions of the surveys.

Autumn
Statement

THE CHANCELLOR OF THE EXCHEQUER said that he hoped that the Chief Secretary, Treasury, would be able to bring the results of the 1988 Public Expenditure Survey to the Cabinet at their next meeting on Tuesday 1 November. He believed that it would be unwise to hold over

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the Autumn Statement for as long as a week after that meeting and, on the assumption that the Cabinet approved the proposals that they would be considering on 1 November, he believed that he should make the Autumn Statement on that afternoon. This followed a precedent set on a previous occasion. The necessary supporting material and briefing for the media could be organised on that timetable, and the printed copies of the documents would be published a week later.

THE PRIME MINISTER said that the Cabinet agreed with the Chancellor of the Exchequer's proposals for handling the 1988 Public Expenditure Survey and the Autumn Statement. It was regrettable that speculation about the timing of the Statement had appeared in the press; pending Cabinet's agreement to the figures, the Government should take the line that the Statement would be made in the following month in the normal way.

Broadcasting
and Terrorism

THE HOME SECRETARY said that various questions of interpretation had been raised on the notices that he had issued to the Chairmen of the British Broadcasting Corporation and the Independent Broadcasting Authority on 19 October requiring them to refrain from broadcasting direct statements by representatives of organisations proscribed in Northern Ireland and Great Britain and by representatives of Sinn Fein, Republican Sinn Fein and the Ulster Defence Association. In particular, questions had been raised about the way in which the notices might apply to interviews with Sinn Fein councillors in Northern Ireland when they were speaking about matters that had nothing to do with terrorism. The key to this issue was whether the individual was involved in his representative capacity. Thus an interview with a Sinn Fein councillor, speaking in his capacity as councillor, would be prohibited by the notices he had issued, though there was nothing to prevent a broadcast interview with the same person speaking as a private individual on, for example, his hobbies and pastimes. There would doubtless be those who would try to fabricate specious borderline problems. But he believed that the principle he had outlined would keep his orders to the broadcasting authorities safe from any challenge by way of judicial review or under the European Convention on Human Rights. He was taking steps to ensure that the basis of the distinction was understood by the media.

The Cabinet -

Took note.

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FOREIGN
AFFAIRS

East/West
Relations

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the visits to Moscow by the Prime Minister of Italy, Signor Ciriaco De Mita, from 13 to 15 October and by the Chancellor of the Federal Republic of Germany (FRG), Herr Helmut Kohl, from 24 to 26 October had produced some confused comment in the media. Talk of the Soviet Union receiving aid through a second "Marshall Plan", emanating from a chance remark by Signor De Mita, was exaggerated. It was the provision of credit for commercial deals that was intended. Also, talk about a human rights conference in Moscow was premature. Some Governments were too ready to give the Russians the benefit of the doubt; in the same way, the Italian and FRG Governments had previously been over-optimistic about the prospects for an early convention on chemical weapons. Herr Kohl's report the previous day that the Soviet Government was to release all political prisoners illustrated the unwisdom of speaking out euphorically before the facts were fully established. The report had not been confirmed by the Soviet Government spokesman and it would be important to see exactly what was involved before passing judgment. The comment by the President of the Soviet Union, Mr Mikhail Gorbachev, that Herr Kohl's visit had broken the ice showed how far the FRG's bilateral relationship with the Soviet Union lagged behind ours. Herr Kohl had raised the question of German unification, which Mr Gorbachev had predictably rejected. The most illiberal feature of the "European House" to which Mr Gorbachev was prone to refer was the Berlin Wall.

Anglo-Italian
Summit

Previous
Reference:
CC(88) 13.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Anglo-Italian Summit on 21 October had been successful and that a number of objectives had been achieved. He had signed with the Italian Foreign Minister, Signor Giulio Andreotti, a new bilateral Convention on Double Taxation. The Italians had confirmed that they would not sell arms to Libya or torpedoes to Argentina and had agreed the importance of the early completion of a financial package in support of the sale of Tornado to Jordan. They had also confirmed their participation in the planned route survey in the Gulf by vessels of Western European Union states. Signor Andreotti had agreed that there was no prospect of changing the Italian Government's position on South Africa by pressing for further sanctions.

Soviet Union

Previous
Reference:
CC(88) 28.2

THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been interesting developments in the Baltic States of the Soviet Union. Following the recent founding congresses of People's Fronts in Estonia and Latvia, the first congress had been held the previous weekend of the Lithuanian Movement for Perestroika. More than 1,000 delegates had attended. The local Communist Parties were swimming with the nationalist tide and President Gorbachev had expressed general support for the popular movements in the Baltic States. But it was not clear how far they could be allowed to develop.

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In discussion, it was noted that the Soviet Government had stepped in to quell unrest in the Trans-Caucasus Republics and that similar action in the Baltic States, which had lost their independence as recently as 1940, could not be ruled out.

Yugoslavia
Previous
Reference:
CC(88) 31.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the situation in Yugoslavia demonstrated the reductio ad absurdum of socialism, aggravated by the weaknesses of the country's federal structure. Serbian nationalist aspirations had made no headway at the recent plenum of the Central Committee of the Yugoslav Communist Party at which the leader of the Serbian Communist Party, Mr Slobodan Milosevic, had been rebuffed. The Government was now beginning to concentrate on economic reform, although past policies had run into the sand.

Middle East
Previous
Reference:
CC(88) 17.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that general elections were to be held in Israel on 1 November and that the Palestine National Council was to meet in Algiers from 12 to 14 November. King Hussein of Jordan and the President of Egypt, Mr Hosni Mubarak, had been encouraging the moderates within the Palestinian Liberation Organisation, and its leader, Mr Yasser Arafat, had made some move towards renouncing violence. The effect was to give a boost to the position of the leader of the Israeli Labour Party, Mr Shimon Peres. But it was judged that the most likely outcome would be a small majority for the Likud Party leading to a coalition which would take some time to put together. This prospect was not encouraging.

Republic of
South Africa
Previous
Reference:
CC(88) 31.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the results had come in overnight of the local elections held in South Africa the previous day. Little could be inferred from the results of the black elections: only one-fifth of the black population were eligible to vote and the turnout had been very low. In the white elections, the right wing Conservative Party had made significant gains, although it had failed to make the breakthrough for which it had hoped; if the results were applied nationally, the National Party would command a substantial overall majority. The President, Mr P W Botha, might now be encouraged to press ahead with reforms.

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State visit
to Spain
Previous
Reference
CC(88) 31.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the State Visit by Her Majesty The Queen to Spain had been most successful, consolidating the Prime Minister's earlier visit. There had been moving moments, such as the ceremony of Beating Retreat by the Royal Marines and, in particular, Her Majesty's address to the Cortes, who had given Her a standing ovation, underlining the identification between monarchy and democracy. The visit had not been overshadowed by the Gibraltar question. He had discussed with the Spanish Foreign Minister, Senor Fernandez Ordonez, the Gibraltar Airport Agreement, stressing that the Government was committed to the Agreement and that it would continue to maintain pressure on the Gibraltar Government to implement it.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Foreign
Affairs
Council,
24-25 October

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been a useful informal discussion at the Foreign Affairs Council on 24-25 October of the prospective agenda for the Rhodes European Council. The outlook was reasonably straightforward. The agenda was likely to include a progress report by the Commission on the single market, the environment, and the Community's relations with the outside world. On the latter point, there was some disturbing evidence that the United States and home countries had a growing impression of a fortress Europe. In response, the tide among European foreign ministers was at present flowing towards a liberal, outward facing approach. This view extended to the attitude taken to the mid-term review of the General Agreement on Tariffs and Trade Uruguay Round. In this context, agriculture remained a difficult area and it remained to be seen to what extent the outlook he had described was reflected in specific proposals. The Commission had meanwhile issued a very helpful statement on the external aspects of completion of the single market.

THE FOREIGN AND COMMONWEALTH SECRETARY, continuing, said that the Council had also considered the regulations to govern the operation of the increased structural funds. A number of issues remained outstanding, involving several member states. The main area of difficulty for the United Kingdom was a draft article on additionality. Other northern countries, who were not net beneficiaries from the structural funds, were concerned that the flow of funds to southern member states should not be used by them as a source of general budgetary support. However the existing draft also carried unwelcome implications for our own public expenditure control arrangements. The regulations were subject to qualified majority voting. Further improvements were being sought.

In discussion it was noted that in the past the position had been that if the United Kingdom benefitted from Community receipts, account could be taken of that by adjusting our own expenditure: structural expenditure was financed partly by the Community and partly from

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national resources. The Commission appeared now to be taking the view that if a member state received structural funds from the Community, there should be no reductions at national level. If this view were maintained, the public expenditure consequences could be very damaging. The position was complicated by the possibility of differences of view between the Government and local authorities on the priority to be given to particular projects. If a local authority regarded a project as not carrying a high priority, there would be the danger of a loss of receipts which might otherwise be forthcoming from the Community. This and other issues would be of concern to a number of Departments.

THE PRIME MINISTER, summing up the discussion of the additionality article, said that the United Kingdom was a major net contributor to the European Community budget and an outcome would not be acceptable that involved increases in the structural funds causing a substantial further increase in total United Kingdom public expenditure. The Foreign and Commonwealth Secretary and the Chancellor of the Exchequer, in consultation as appropriate with the other Ministers concerned, should seek to negotiate drafting amendments to protect the United Kingdom's position.

The Cabinet -

Took note.

BROADCASTING
WHITE PAPER

5. The Cabinet considered a memorandum by the Home Secretary (C(88) 12) submitting for their approval the text of a White Paper "Broadcasting in the '90's: Competition, Choice and Quality", that he proposed to publish in the week beginning 7 November.

THE HOME SECRETARY said that major broadcasting legislation would be needed in the course of the present Parliament to meet the commitment in the last Conservative Party General Election manifesto. That legislation could be no later than the 1989-90 Session in order to establish the framework within which new independent television contracts should operate as from the end of 1992. The time had now come for a White Paper, so that responses to it could be taken into account in preparing the legislation. The proposals for which he sought the Cabinet's agreement had been developed in the Ministerial Group on Broadcasting Services and represented a radical appraisal of the whole broadcasting scene. This scene was changing very fast indeed with the development of new technologies, and many new opportunities were becoming available. The thrust of the White Paper was to encourage an environment in which these opportunities would be captured on behalf of consumers, who should be enabled to exercise much greater choice over that they heard and saw. More radio and television channels, at national and local levels, together with a steadily increasing role for subscription financing of broadcasting and greater separation of the different activities involved, would bring the broadcasting system closer to one that was based on consumer choice.

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While some important positive programming obligations should be retained, and standards of taste and decency should be protected, he proposed a substantial deregulation of the present public service broadcasting regime, particularly as it affected the independent television sector which would operate under a new Independent Television Commission (ITC), replacing both the Independent Broadcasting Authority and the Cable Authority. This stimulation of a more competitive innovative and efficient broadcasting industry, and reliance on consumer choice rather than regulatory imposition, might lead to accusations from some quarters that the Government was not concerned to protect the high quality of British broadcasting. It was vitally important that the White Paper should provide a sound defence against that criticism, and he believed that it did. While he proposed that the British Broadcasting Corporation (BBC) should be moved forward towards subscription financing through pressure on the licence fee, the present form of finance would remain for the time being and any substantial change in it was a matter for the future. The White Paper gave a clear commitment on the need for Channel 4 to retain its distinctive remit, though it left open the question of the most appropriate financial structure for the channel. The ITC would apply a quality test before awarding a contract on Channel 3 (which would replace the present independent television channel) or on the proposed new Channel 5, and it would monitor contractors' subsequent compliance with quality requirements. Taken together, these proposals put the Government in a very strong position on the question of quality. The second matter on which it would be essential for the White Paper to allay public concern was the question of concentration of ownership, since there was considerable and genuine anxiety about the possibility of the television and other communications media in this country becoming concentrated in very few hands. The White Paper would therefore make it clear that limits would be imposed on the concentration of ownership and on excessive cross-media ownership, and would invite comments on ways in which those controls might be framed. Reshaping the broadcasting scene for the 1990s in the way that he proposed would be a very major undertaking, but he believed that the White Paper represented a comprehensive, well-balanced and forward-looking review which would enable the Government to approach these changes positively and confidently. Subject to his colleagues' approval, he proposed to publish the White Paper in the week beginning 7 November and considerable public interest could then be expected.

In discussion the following main points were made:

- a. Many members of the House of Lords had a keen interest in broadcasting matters, and the House might well wish to debate the White Paper during the period within which the Government invited comments on it.
- b. Subscription financing was inappropriate for radio. Opening up the question of replacing the licence fee by subscription financing for BBC television services therefore raised unanswered

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questions about the way in which BBC radio services might then be financed. The White Paper acknowledged this issue, however, and made it clear that it was not one that needed to be resolved for some years to come.

c. The increase in the television licence fees in line with movements in the Retail Price Index was to be announced by way of Written Answer in the House of Commons that afternoon. It would be helpful at all times to emphasise that the licence fee went only to the BBC.

d. The position of the Welsh language had been covered but there was a case for a reference to the potential for the use of local services for programming in Gaelic.

THE PRIME MINISTER, summing up the discussion, said that the White Paper had been worked up over a long period during which the commercial and technological background had been changing rapidly. Subject to any minor and drafting points, which might be communicated direct to the Home Secretary, the Cabinet now approved the White Paper annexed to C(88) 12 and the Home Secretary should proceed to publish it, accompanied by an oral statement in the House of Commons, during the week beginning 7 November.

The Cabinet -

Approved the White Paper annexed to C(88) 12 and invited the Home Secretary to proceed with its publication as the Prime Minister had indicated in her summing up of the discussion.

Cabinet Office

27 October 1988

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