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CC(89) 33rd  
Conclusions

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CABINET

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

THURSDAY 9 NOVEMBER 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 The Lord Mackay of Clashfern  
Lord Chancellor

The Rt Hon Douglas Hurd MP  
Secretary of State for Foreign and  
Commonwealth Affairs

The Rt Hon John Major MP  
Chancellor of the Exchequer

The Rt Hon David Waddington QC 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 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 Timothy Renton MP  
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robin Butler  
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)

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PARLIAMENTARY  
AFFAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons and the House of Lords in the following week.

THE LORD PRESIDENT OF THE COUNCIL said that a debate on the ambulance dispute would take place later that day under Standing Order 20. This would mean the postponement to the following session of the proposed debate on Parliamentary Pensions. With this exception, the programme of business in both Houses was on course for Parliament to prorogue as planned on 16 November.

The Cabinet -

Book Note.

HOME AFFAIRS

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Industrial  
Action in  
the Ambulance  
Service

Previous  
reference:  
HC(89) 32.2

2. The Cabinet had a discussion about the current situation in the ambulance dispute. The discussion is recorded separately.

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Electricity  
privatisation

Previous  
reference:  
C(89) 20.1

THE SECRETARY OF STATE FOR ENERGY said that in July the Government had announced that the Magnox power stations would remain in the public sector when the electricity industry was privatised. This decision had proved hard to implement, mainly because National Power (NP) had made difficulties about splitting their staff and might have tried to argue that the arrangement would not provide enough assurance on safety. The decision not to privatise Magnox had affected the market's perception of nuclear power more generally, and had, in particular, made it much more difficult for NP to make satisfactory arrangements for financing the construction of Pressurised Water Reactors (PWRs). At the same time, the estimates of PWR costs had escalated, and it now appeared that electricity from PWR stations would cost more than twice as much as electricity from fossil fuelled stations. NP had therefore told him that they could finance the PWRs only if the Government underwrote virtually all the risks. Privatisation on this basis was unacceptable. He had therefore concluded that in the circumstances all nuclear stations, not just the Magnox stations, must be retained in the public sector. The company which would be set up to run them should provide a positive cash flow and make a respectable return on assets.

He had also reviewed the nuclear programme itself. Flotation of the electricity industry would not be possible unless the Government said firmly what its plans were for the PWRs after Sizewell B. The case for these stations had rested largely on grounds of diversity and security of supply. But greater competition would now bring in more independent generators using mainly gas; the life of the Magnox stations could be extended; the capacity to burn oil had increased; and there was scope for considerable transfers of nuclear-based electricity from Scotland and France. He had therefore decided that the Non Fossil Fuel Obligation for the year 2000 should be set at a level which did not require the construction of new nuclear stations beyond Sizewell B. The Government should however say that it would review the prospects for nuclear power when the Sizewell B station neared completion in 1994.

These decisions were essential if the Government was to achieve its objective of privatising the electricity industry during this Parliament. They would also keep down electricity prices, and would not close the nuclear option for the long term. If Cabinet agreed, he would announce them in a statement to Parliament that afternoon. That statement would also say that the Chairman of the new nuclear company would be Mr John Collier, at present Chairman of the United Kingdom Atomic Energy Authority. Lord Marshall, the Chairman-designate of NP, was considering his position, and had agreed that this could be indicated.

THE SECRETARY OF STATE FOR SCOTLAND said that a decision to retain all nuclear stations in England in the public sector had major implications for Scotland, 60% of whose electricity output came from such stations. There were differences between the position in England and Scotland. In particular, there were no plans to construct new nuclear stations in Scotland, and the existing Scottish reactors were working well. Nevertheless, the Chairman of the two Scottish Electricity Boards had advised him, and he agreed, that if such a decision was made for England, there was no practical chance of privatising the Scottish nuclear stations. These stations also must therefore remain in the public sector, and Scottish electricity would have to be privatised without its nuclear component. Since that component was so large, this would not be easy to present. But it would help that the Government had already proposed that the nuclear assets in Scotland should be held by a separate company, Scottish Nuclear Ltd. The Government could also point out that the privatised non-nuclear part of the industry would own around 75% of generating capacity and employ 14,000 out of the 16,000 staff. The relationship between the privatised industry and the nuclear company, especially on pricing policy, would require careful thought. It was clear, however, that there was a very strong case for increasing the capacity of the interconnector between Scotland and England from its present level of 700 MW to its maximum level of 2000 MW.

In discussion the following were the main points made:

- a. It was important to emphasise in presentation that the problems of nuclear power had not been caused by privatisation. On the contrary, privatisation had brought to light problems which were already there but had remained hidden while the industry was nationalised. The estimates of the cost of de-commissioning had escalated dramatically as privatisation approached, and it was clear that those in the industry still had no firm idea of some of the prospective costs. The history of nuclear power also showed how inefficient the nationalised industry had been at building nuclear stations. Industries abroad, for example in Germany and Belgium, had been successful in building such stations at reasonable cost and with private finance. On the other hand, successive Governments were not immune from criticism for their handling of the nuclear power programme, and could not claim that they had been unaware of all the developing problems.
- b. The draft statement circulated by the Secretary of State for Energy did not mention the environmental advantages of nuclear power. This would be regarded as inconsistent with other recent Government statements on environmental policy. The statement should be amended to include a suitable

reference. A useful point to make was that the planned PWRs would be largely replaced by generation from gas, also an environmentally attractive fuel.

c. Imports of nuclear-based electricity from France and Scotland were a source of diversity, although there were objections to becoming unduly dependent on French imports. The case for strengthening the interconnector with Scotland to the maximum extent was however very strong and this should be reflected in what was said to Parliament.

d. The Government had invested considerable political capital in supporting the development of nuclear power. Moreover during the next decade the position on fossil fuels could become less favourable as oil prices rose and the gas industry became more dependent on supplies from Norwegian sources. Once the country withdrew from nuclear development it could not get back in without great cost and difficulty. On the other hand, the proposal by the Secretary of State for Energy did not rule out more nuclear capacity as a long-term option. The statement had to take account also of the overriding need to achieve electricity privatisation during this Parliament, and the reference to a review of nuclear power in 1994 was designed to strike a balance between these requirements. Nevertheless, while the constraints were recognised, it would be desirable for the statement to include a rather more positive reference to the advantages of nuclear power.

e. Considerable effort had been put into encouraging local support for nuclear power where new PWRs had been planned at Sizewell and Hinkley Point. There was a risk that local opinion would be disappointed when it became clear that these planned stations would not go ahead. Arrangements should be made to ensure that the decisions were explained to people living locally as soon as they were announced, and that reassurance was given as far as possible.

THE PRIME MINISTER summing up the discussion, said the Cabinet agreed the recommendations by the Secretary of State for Energy and the Secretary of State for Scotland. They should, as proposed, make statements accordingly to Parliament that afternoon. The statements should take account of the points made in discussion and, in particular, should not rule out nuclear power as a long-term option.

The Cabinet -

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

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WESTERN AFFAIRS

German Democratic Republic

Previous Reference: CC(89) 31.3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the East German Council of Ministers had resigned on 7 November and the entire Politburo on 8 November. The Leader of the Socialist Unity Party, Herr Egon Krenz, was attempting to find a position where his Party could dig in. Every day brought new difficulties. The Party Secretary for Dresden, Herr Hans Modrow, had been nominated as Chairman of the Council of Ministers, effectively Prime Minister, and also brought into the new Politburo. He had a relatively good reputation as a reformer. The crucial factor in the situation was whether the leadership was prepared to give an undertaking to hold free multi-party elections. Unless the leadership was prepared to give this undertaking, they would find it very difficult to stabilise the situation. It was significant that the demonstrators in the streets were calling for reform within East Germany, but not reunification with West Germany. It would be helpful if the Prime Minister were able to express the British Government's support for the processes of reform in East Germany during Question Time in the House of Commons that afternoon. The West German Government was faced with considerable problems over the influx of East German refugees. The British Government had agreed to a request from the Berlin Senat to allow a small part of the Royal Air Force (RAF) airfield at Gatow to be used to accommodate some of the refugees. Measures were being taken to screen off that part of the airfield with security fences. The West German Government had also approached the French and other Western governments for help.

In a brief discussion, it was pointed out that it was essential to ensure that the East German refugees accommodated on the RAF airfield at Gatow did not remain there indefinitely and that security of operations on the base was maintained. It was also noted that the Bavarian Land Government had expressed concern about the practical implications of the inflow of refugees. This year a total of 500,000 German refugees had arrived in West Germany from the Soviet Union and other Warsaw Pact countries, including 200,000 from East Germany.

China

Previous Reference: CC(89) 22.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Chinese Government had announced that Deng Xiaoping had resigned from his last remaining senior post as Chairman of the Central Military Commission. He had been succeeded by Jiang Zemin who was his protege. The appointment of Jiang Zemin might indicate that he was Deng Xiaoping's choice as a successor and a moderate, so that the move could have been worse from a Western standpoint. The present factional struggle within the Chinese leadership seemed certain to continue, and it would probably not be clear for at least another two years which group was likely to emerge in control.

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THE FOREIGN AND COMMONWEALTH SECRETARY said that British policy towards Cambodia has been reviewed in the light of changing circumstances. He had decided to make two modifications. First, British humanitarian aid inside Cambodia would be increased. This would be channelled through non-governmental organizations and organizations such as the United Nations Children's Fund (UNICEF) and not direct to the Phnom Penh regime. Britain was offering a further £250,000 to UNICEF for humanitarian projects inside Cambodia. A member of the Bangkok Embassy would visit Phnom Penh soon to report on the situation first hand. Second, the annual United Nations Resolution of the Association of South East Asian Nations on Cambodia, which Britain and 73 other nations co-sponsored, had been amended to take account of the changes in the situation in Cambodia and to remove any implied support for the Khmer Rouge. Britain's position on the legal and technical question of Cambodian representation in the United Nations would not change. Britain would detach itself from taking sides in the fighting in Cambodia while maintaining support for Prince Sihanouk's search for a solution. The Foreign and Commonwealth Secretary would be holding a meeting with leaders of non-governmental organizations on 14 November to discuss the new policy. He would continue to point out in Parliament and to the press that in view of the present complex situation in Cambodia, Britain's most effective contribution was to concentrate on the provision of humanitarian aid and on promoting a political settlement. It should not be forgotten that the Prime Minister of the People's Republic of Kampuchea, Hun Sen, had formerly been an commander in the Khmer Rouge forces. In response to allegations about the use of special forces for training anti-government troops, he would continue to point out that Britain had not given, and would not give, support and aid to the Khmer Rouge.

lections in  
reece

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Greek elections on 5 November had produced another unsatisfactory result. The New Democracy Party were still three seats short of an overall majority. Another round of elections in 1990 seemed almost certain. The leader of the New Democracy Party, Mr Mitsotakis, had been given until later that day to form a new government, but his chances of doing so were slim. If he failed, the leader of Pasok, Dr Papandreu, would be given an opportunity to try to form a government. It was difficult to predict how the situation would develop, but the present caretaker government of Mr Ioannis Grivas would probably remain in office. Neither New Democracy nor Pasok seemed capable of constructing a stable majority in the near future.

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The Cabinet -

Took note.

COMMUNITY  
AFFAIRS

Meeting of  
Foreign Affairs  
Council  
11 November

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that the meeting of the Foreign Affairs Council on 6 November had been the first opportunity to present the United Kingdom's paper on an alternative approach to economic and monetary union. There had been no substantial discussion, but it had been politely received and the Presidency and Commission had explicitly agreed that it would be taken into account in further work. The Chancellor of the Exchequer would no doubt pursue the matter in more detail at the meeting of the Economic and Finance Council on 13 November. He would himself be pressing it during visits to the Hague and Bonn. Meanwhile, discussion at the Council showed clearly that most Member States expected that the European Council at Strasbourg would take a decision to call an intergovernmental conference to amend the Treaty of Rome.

Telecommuni-  
cations

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the Commission, at the instigation of Sir Leon Brittan, had issued a Directive aimed at opening up the telecommunications market in other Member States, an objective which the United Kingdom strongly supported. A number of Member States, led by the French, were pressing strongly for the Directive to be modified, but the indications were that the Commission would stand firm.

In a brief discussion it was noted that this was a further example of the United Kingdom playing by the rules and other Member States resisting the creation of a genuine single market. The United Kingdom should not hesitate to give publicity to such cases, drawing attention, where appropriate, to our support for the Commission's line. Similarly the United Kingdom had respected the conditions imposed by the Commission at the time of the sale of Rover, but the French had disregarded the conditions attached to their subsidies to Renault and were now resisting the Commission's demand that the assistance should be repaid. It was to be hoped that Sir Leon would ensure that the Commission remained firm in this case as well and would take action in the European Court if necessary.

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THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that a consignment of feed ingredients imported into the Netherlands had become contaminated with chemicals in the ship which transported them from the Far East. Through criminal conspiracy, their destruction had been evaded and they had been used to manufacture animal feed which was then sold to a number of Dutch and British farmers. A great deal of rapid work by Ministry staff had enabled the British farms concerned to be identified. No animals would be allowed to leave the farms till investigations had been completed, and no milk would be allowed to go except for manufacture into milk powder, which could then itself be tested. He would be reviewing existing control and testing arrangements to see whether changes should be made to help guard against any such case in the future. It would not however be practicable to introduce comprehensive testing arrangements for all imported feed.

The Cabinet -

Took note

Cabinet Office

9 November 1989

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LIMITED CIRCULATION ANNEX

CC(89)33rd Conclusions, Minute 2

Thursday 9 November 1989 at 10.30 am

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Industrial  
action in  
the Ambulance  
Service  
  
Previous  
reference:  
CC(89) 32.2

THE SECRETARY OF STATE FOR HEALTH said that in the last few days the industrial action by ambulance workers in London had worsened. Acting in accordance with guidelines on a work-to-rule issued by their Union, members of the National Union of Public Employees (NUPE) responding to emergency calls were refusing to operate their radios in accordance with arrangements introduced some 8 months previously. The Union had claimed that its members were not declining to answer emergency calls, but its hidden purpose was to put pressure on the management of the Ambulance Service to continue paying at full rate staff who were refusing to provide a normal non-emergency service. Some 90 per cent of the patients carried by the Ambulance Service annually were non-emergency cases. It would be wholly unacceptable for ambulance workers to be able to take industrial action affecting 90 per cent of their passengers without it affecting their pay.

With the failure of normal arrangements, it had been necessary for the police and voluntary organisations to attempt to provide an accident and emergency service in London. From 11.00 pm the previous evening, their efforts had been supplemented by some 50 military ambulances and their crews. These would be able to provide a satisfactory service, although it could not be of the same quality as usual. It was possible that the heightened industrial action could spread to other parts of the country, although so far management decisions to cut the pay of staff not working normally had not generally prompted increased industrial action. Additional armed forces units were on 24-hour standby in the South East and 72-hour standby in the rest of the country in case increased action led to the withdrawal of accident and emergency services in other areas.

THE SECRETARY OF STATE FOR HEALTH continued that he was pessimistic about the chances of an early resolution of the dispute. The Union was seeking an increase in pay substantially above the level on offer and arrangements for linking movements in the pay of ambulance workers to those of other groups but was

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unwilling to contemplate any no strike arrangement. While he was not immune to flexible ideas which might help secure a settlement, the Union's demands were unrealistic and, if granted, would have a very damaging effect on the pay settlements already achieved with other National Health Service (NHS) staff, as well as on wider pay policy objectives.

In discussion, the following points were made -

- a. While the armed forces were successfully providing a satisfactory accident and emergency service in London at present, this was yet to be fully tested. A single unfortunate incident could easily raise the temperature of the dispute and the public debate about it. The armed forces could provide up to 500 ambulances throughout the country, but these could never substitute entirely for the usual arrangements. Although it would be possible to use normal Ambulance Service vehicles with military or police crews, it would be difficult to gain access to the vehicles without confrontation while ambulance staff remained in ambulance stations.
- b. The Home Secretary had met the Chairman of the Police Federation the previous day, who had retracted his earlier statements in favour of a link between Ambulance Service and police pay. Nevertheless, the police were uneasy about their continuing involvement in the dispute.
- c. Public opinion was naturally sympathetic with the ambulance workers and they had been supported by spokesmen in the fire as well as the police service. Unless some events occurred which turned public opinion against the ambulance workers, pressure on the Government to settle the dispute (including some from its own supporters) could well grow. It was difficult to see at present how the Government might win the battle for public opinion, and the conduct of the dispute therefore needed particularly careful handling. One possibility might be to offer a no strike deal to the Union: if this was rejected, as seemed likely, public opinion would be alienated.
- d. On the other hand, the settlement of the dispute on terms satisfactory to the Government was crucial to the achievement of the Government's wider pay policy objectives. The trend of wage settlements was edging up once more and if the NUPE claim was conceded this would push up wage claims in the following year's pay round. In total, the NUPE claim was now very substantial indeed, although it was noteworthy that in the summer the Union had actually recommended acceptance of management's 6.5 per cent pay offer to their members. Too generous a settlement could have major repercussive effects, both within the NHS and outside it.

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Some 95 per cent of NHS staff had already accepted settlements at about the level presently on offer to NUPE, most recently including Works Officers. Some short term unpopularity in weathering the dispute was unavoidable, but it was essential that NUPE's claim should not be conceded.

e. The experience of the dispute seemed certain to accelerate a development already under way in the Ambulance Service, for example in Northumberland, in which the Ambulance Service focussed on meeting accident and emergency and para-medical needs, and routine non-emergency functions were contracted out to private firms. The long-term effect of the dispute might well therefore be a reduction in ambulance workers' jobs.

f. While a flexible approach to the settlement of the dispute was right, care should be taken about any suggestions for a no strike arrangement with ambulance workers. NUPE was known to oppose this, but it would anyway be wrong to concede such an arrangement as a consequence of strike action. Particular care should be taken about any suggestions for establishing new arrangements on the lines of those for the police.

g. Although there was no early end to the dispute in sight, there were a number of possible developments in prospect. One, for example, was that the legal status of the action being taken by NUPE in London could come into question. Another was that a separate settlement might be reached with the Association of Professional Ambulance Personnel. The dispute was revealing a good deal about discreditable working practices by ambulance staff, which could be brought to public attention. Moreover, it should not be overlooked that the extent of the industrial action by NUPE made incredible its claim not to be taking strike action.

i. The dispute was not generally having an adverse effect on hospitals, although it had led to some beds being blocked because of difficulties in discharging patients. A good deal of use was being made of hospital cars and taxis, and many patients were succeeding in making their own way to hospital.

j. Pressure on the Union was mounting. Its recent moves were a sign that its earlier action had failed to have an effect; its members were now losing money; and Christmas was approaching. Substantial sums in back pay would be due to staff the moment a settlement was reached and it would be worth drawing attention to this in the House of Commons debate.

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THE PRIME MINISTER, summing up the discussion, said that, while they recognised the natural tendency of public opinion to sympathise with the ambulance workers, the Cabinet were agreed that the NUPE claim could not be conceded without damaging effects on the pay settlements already reached for other NHS staff and on the Government's wider pay policy objectives. It was clear that NUPE was not prepared to contemplate a binding no strike arrangement and the implications of any such arrangements would in any case need very careful consideration. The effect of the Union's action might well be to reduce jobs in the Ambulance Service by accelerating developments already in train which were leading the service to contract out non-emergency work. The Secretary of State for Health should bear in mind the points made in discussion in his further handling of the dispute.

The Cabinet -

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

Cabinet Office

10 November 1989

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