

Subject copy filed in
Security Lib 2
Changes in funding, status
and staffing at GCHQ

PRIME MINISTER

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Security

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Your meeting at 0930 tomorrow, Wednesday, is to discuss two separate but closely related subjects:-

(a) First, there are a series of questions affecting the Security and Intelligence Services:-

(i)

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OF THE PUBLIC RECORDS ACT

(ii) Should we avow the existence of the SIS and the SIGINT activities of GCHQ and thus put these two agencies on the same basis as the Security Service?

It is proposed that if Ministers agree to make changes in the arrangements for GCHQ and to avow the existence of the SIS and GCHQ's SIGINT activities, a statement should be issued. A draft is at Flag A.

The papers in the first bundle below include a minute from the Chancellor (Flag B) objecting to the idea that if GCHQ's status and funding were changed, the staff of the agency should receive an annual flat rate allowance in compensation..

(b) Second, Ministers need to decide how to handle the report of the Security Commission setting out the conclusions of their review of the security procedures and practices now followed in the public service.

Again, it is envisaged that the Government's decisions should be announced by means of a written statement or White Paper (a draft of which is at Flag C). It is also proposed that you would accompany the publication of this

SECRET

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SECRET

- 2 -

statement with an oral statement, a draft of which is at Flag D. As I said when I submitted these papers, I do not think that you could make so short and general an oral statement unless the written statement/White Paper had already been published and Members had had time to read it before you spoke, so that they were thus in a position to address sensible questions to you.

Those attending your meeting tomorrow will be:-

Home Secretary; Foreign and Commonwealth Secretary; Chancellor of the Exchequer; Secretary of State for Defence; Sir Robert Armstrong; Sir Michael Palliser; C (Mr. Figures); Mr. John Jones (Director General, Security Service); Sir Brian Tovey (Director, GCHQ); Mr. Savage (Sir Antony Duff's deputy in the Cabinet Office).

This is a large meeting, and I think we shall have to have it in the Cabinet Room.

AW.

16 March 1982

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