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CC(82) 26th
Conclusions

COPY NO 79

CABINET

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

THURSDAY 13 MAY 1982

at 11.00 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the Home Department

The Rt Hon Lord Hailsham
Lord Chancellor

The Rt Hon Francis Pym MP
Secretary of State for Foreign and
Commonwealth Affairs (Items 1-3)

The Rt Hon Sir Keith Joseph MP
Secretary of State for Education and Science

The Rt Hon James Prior MP
Secretary of State for Northern Ireland

The Rt Hon Peter Walker MP
Minister of Agriculture, Fisheries and
Food (Items 1-3)

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry

The Rt Hon John Biffen MP
Lord President of the Council

The Rt Hon David Howell MP
Secretary of State for Transport

The Rt Hon Norman Fowler MP
Secretary of State for Social Services

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

The Rt Hon Baroness Young
Lord Privy Seal

The Rt Hon Nigel Lawson MP
Secretary of State for Energy

The Rt Hon Norman Tebbit MP
Secretary of State for Employment

The Rt Hon Cecil Parkinson MP
Chancellor of the Duchy of Lancaster
and Paymaster General

The Rt Hon Lord Cockfield
Secretary of State for Trade

SECRET

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Michael Havers QC MP
Attorney General

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr R L Wade-Gery (Items 2 and 3)
Mr D J S Hancock (Items 2 and 3)
Mr D H J Hilary (Items 1 and 4)
Mr L J Harris (Items 1 and 4)

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PARLIAMENTARY
AFFAIRS

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

Oil and Gas
(Enterprise)
Bill

THE SECRETARY OF STATE FOR ENERGY said that the Government had suffered a defeat in the House of Lords earlier in the week during the Committee Stage of the Oil and Gas (Enterprise) Bill on an amendment which would in effect make the disposal of any of the assets of the British Gas Corporation (including the gas show-rooms) subject to challenge in the courts. This was clearly unacceptable, and an effort to reverse the amendment would have to be made in the House of Commons. This made it essential that the Report Stage in the House of Lords should be completed in the first week after the Whitsun Adjournment if Royal Assent was to be obtained by 28 June, in time for the necessary Orders to be made to permit disposal of the Corporation's North Sea assets to the timetable originally envisaged.

THE LORD PRIVY SEAL said that it should be possible to provide one day for the Report Stage of the Oil and Gas (Enterprise) Bill immediately after the Whitsun Adjournment, and that she hoped that Third Reading could be completed on 17 or 21 June. The Lords timetable was, however, under great pressure, with early Royal Assent required for both the Local Government Finance (No 2) and the Social Security and Housing Benefits Bills. It was now inevitable that the House would have to sit into August, and during an extended spillover period in the autumn. Any further complications in Lords business would almost certainly delay the Second Reading of the Employment Bill or the Local Government and Planning (Scotland) Bill. In those circumstances, the Lords business managers could only promise to use their best endeavours to secure the passage of the remaining Government Bills by the dates specified by the responsible Ministers.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Arab/Israel

Previous
Reference:
CC(82) 19th
Conclusions,
Minute 3

Iran/Iraq

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the situation between Israel and Lebanon was now more dangerous than at any time since the 1981 ceasefire. The Palestine Liberation Organisation had not responded to recent Israeli air attacks on their position in Lebanon; but further military moves by Israel could occur at any moment.

THE FOREIGN AND COMMONWEALTH SECRETARY said that Iran's military successes against Iraq might lead to the fall of the present regime in Baghdad. This was a disturbing prospect for the moderate Arab states, who supported Iraq. There were over 30 British subjects in Basra, whose safety might be in question. It did not appear that there were any moves which Western Governments could usefully make at the present juncture.

Arms
Control

Previous
Reference:
CC(81) 37th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that President Reagan had now announced that the proposed strategic arms reduction talks between the United States and the Soviet Union would begin before the end of June. This was a welcome development.

The Cabinet -

Took note.

Falkland
Islands

Previous
Reference:
CC(82) 25th
Conclusions,
Minute 1

The Cabinet reviewed the crisis over the Falkland Islands.

The Cabinet's discussion is recorded separately.

COMMUNITY
AFFAIRS---
30 MayMandate:
Council of
Ministers
(Agriculture)
10-11 MayPrevious
Reference:
EC(82) 25th
Conclusions,
Minute 2

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that he had been given a very tough time at the Informal Meeting of Foreign Ministers in Belgium on 8-9 May over the United Kingdom's position on the Mandate and the price fixing. The Minister of Agriculture, Fisheries and Food had had an even worse time at the Agriculture Council on 10-11 May, and had brilliantly fended off a series of attempts to force through agreement on the price fixing without an agreement on the budget. The President of the Council and the President of the Commission had now suggested that the 30 May Agreement should be allowed to run for a third year; but their suggestion had included a figure of 800 million ecus (£455 million) for United Kingdom refunds which was quite unacceptable. The conjunction of this Community crisis with the Falkland Islands crisis was very awkward; even so he hoped that the Community would agree to extend sanctions against Argentina for another month.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Community had reached an important crisis which was likely to become acute during the next five or six days. At the Agriculture Council on 10 May the Germans, the Commission and the Presidency had constructed a deal which secured the agreement of Italy and Greece to a compromise set of proposals and thus established a clear nine to one majority against the United Kingdom. The Presidency and the Commission then indulged in a series of manoeuvres to attempt to force through the decision despite the fact that the United Kingdom had formally invoked the Luxembourg compromise. After two attempts had been foiled, the President of the Commission said, after prior agreement with the other nine member states, that the Commission would prepare documents giving legal effect to the package and present them to be approved at a future Council without further discussion. This was an orthodox Community procedure when agreement had been reached, but had never been done before in the history of the Community when agreement had not in fact been reached. Certain other countries then became nervous about the precedent and the President of the Commission withdrew the proposal.

A further meeting of the Agriculture Council was arranged for 17 May at which it was possible that one of the following two things would happen. First, a majority vote might be taken to approve the package, even though the United Kingdom continued to invoke the Luxembourg compromise. This would destroy the Luxembourg compromise and represent a complete change of previous French policy. Even so, there was evidence that the French Government felt so strongly on this issue that it would allow a vote to be taken. Alternatively, the Council might refuse to extend the marketing years for key products and the Commission would fill the vacuum by implementing the new package on its own authority. Their action was doubtfully legal and could be

challenged in the courts; but action in the courts would take time and, in the meanwhile, the new price proposals would be in being.

In previous discussion the Government had had it in mind to withhold the United Kingdom contribution to the Community budget in retaliation against any such move. Withholding would act only very slowly on the Community finances, whereas the implementation of the price agreement in the other nine states, but not here, would create severe problems for British farmers at once. The two Presidents were entitled to make the proposal that they had now made to the Foreign and Commonwealth Secretary under the terms of the 30 May Agreement. It would look very unreasonable if the United Kingdom rejected this approach. The response to that letter should, therefore, express a willingness to negotiate about the terms of the extension of the 30 May Agreement to the third year. A message should also be sent to the French Government that, if the farm price package was implemented despite the United Kingdom's use of the Luxembourg compromise, then that would be the end of the Luxembourg compromise. France could not pick and choose.

In discussion it was pointed out that the problem with the two Presidents' new proposal was that they only offered refunds of 800 million ecus (£455 million) in respect of the 1982 budget. The Treasury's central estimate of the United Kingdom's unadjusted net contribution for that year was 1,900 million ecus (£1,080 million). The refund would therefore be less than half, compared with the two thirds envisaged in the 30 May Agreement. The other Community countries argued that, if the result of the 30 May Agreement was averaged over three years, the average refund would work out at two thirds of the unadjusted net contribution according to Commission estimates. That would still leave the United Kingdom paying an average of approaching £300 million a year if the Treasury estimate proved correct. On the other hand, it was possible that the two Presidents' proposal for 1982 was only an opening bid, and that a better deal for that year could be secured in negotiation, provided that the United Kingdom agreed to accept the principle of an extension of the 30 May Agreement to the third year.

In discussion of the question whether the Commission had the legal power to fill the vacuum, caused by a failure to renew the marketing years, with the new price proposals, it was being argued in the Commission that in a special situation - namely the riots that were likely to occur if the price package was not implemented - there would be valid legal grounds to do what the Commission wanted to do. This was contrary to the general view previously accepted in this country which was that, when there was a vacuum, the vacuum could be filled only by an extension of the status quo.

The Cabinet -

Took note.

LEGISLATIVE
PROGRAMME
1982-83

Previous
Reference:
C(82) 19th
Conclusions,
Minute 6

4. The Cabinet considered a memorandum by the Home Secretary (C(82) 22) containing the revised proposals of The Queen's Speeches and Future Legislation Committee (QL) for the legislative programme for 1982-83.

THE HOME SECRETARY said that QL Committee had now reviewed the proposed legislative programme for 1982-83 as requested by the Cabinet at their meeting on 22 April. He had himself given the Committee a pessimistic assessment of the prospects of carrying the Data Protection Bill by the summer of 1983, both because of the difficulty of drafting a Bill which could be ready for Second Reading before Christmas and because of the wide range of issues, including privacy and freedom of information, which could be raised during its passage. QL had agreed that in the light of his assessment it would be right to recommend the deletion of the Bill from the proposed programme. He had since received representations from the Secretary of State for Trade, which were supported by the Secretary of State for Industry, that delay in bringing forward legislation would seriously damage our commercial and industrial interests, particularly now that five countries had signed the Council of Europe Convention on Data Protection; and he now believed that the Bill should remain in the programme. He saw little hope of being able to accelerate the timetable for its preparation, but he would be prepared to agree to its introduction in the House of Lords if that seemed likely to ease the Parliamentary handling. The Committee had been told that the substance of the Gas Safety Bill could be covered by regulations under the Health and Safety at Work Act, and they recommended that the Bill should be dropped from the programme. Some doubts had been expressed about the likely effect of the Dock Work Regulation Bill on industrial relations in the docks, but the Secretary of State for Employment had now confirmed that he wished to retain it. QL recommended that the Further Education Bill should remain in the programme only if the remaining policy differences between the Secretary of State for Education and Science and the Chief Secretary, Treasury could be resolved at the next meeting of the Home and Social Affairs Committee (H). The Telecommunications Bill presented difficult problems in terms both of policy and of drafting, but it was of great strategic importance and should remain in the programme on the assumption that it would be ready for introduction in the House of Commons at the beginning of the Session. The Secretary of State for the Environment had agreed to limit the housing provisions of his Housing and Building Control Bill to the extension of the right-to-buy, and the Committee agreed that this would give sufficient room for a wider Water Bill covering both the borrowing limits of the industry and the abolition of the National Water Council and changes in representation on the regional authorities. They recommended that the Mobile Homes Bill, which would probably be suitable for Lords introduction, should not be combined with the Housing and Building Control Bill. The Secretary of State for Scotland and the Minister of Agriculture, Fisheries and Food had now reached an agreement which would permit the Agricultural Holdings (Scotland) Bill to be added to the Scottish programme. The

Cabinet had previously agreed that provisions on the withdrawal of supplementary benefit from 16 year olds and the abolition of child dependency additions should be added to the Health and Social Services Bill. This would mean that the Bill would no longer be suitable for introduction in the Lords, and the Committee recommended that the benefit changes should be dealt with in a short separate Social Security Bill. Legislation to implement the agreed write-off of £22 million of the National Voluntary Severance Scheme debt would be included in the contingent Transport Finance Bill if that were eventually brought forward; if not, an alternative legislative vehicle would have to be found. QL did not recommend the immediate addition of the Royal Ordnance Factories Bill to the programme, but proposed that it should be kept in reserve to be brought forward if time unexpectedly became available at a later stage. The Committee thought that it would be presentationally helpful for superfluous words such as "amendment" and "miscellaneous provisions" to be deleted from short titles of Bills wherever possible. He invited the Cabinet to approve the proposed Legislative Programme for 1982-83 set out in the Annexes to C(82) 22, subject to the addition of the Data Protection Bill.

In discussion, the following main points were made:

- a. The Government were committed to ensure that adequate safety provisions were brought into force before the disposal of the British Gas Corporation's retailing interests began. It was essential that any regulations substituted for the Gas Safety Bill should cover the full range of measures which the Bill would have contained, including the introduction of a rigorous system of licensing administered by the Health and Safety Executive or the Department of Energy.
- b. The policy proposals which had been put to H Committee on the Mobile Homes Bill appeared to go further than the simple extension of the Mobile Homes Act 1975 described in the bid put to QL. It was important that the Bill should be kept to the minimum necessary to continue the existing protection of mobile home owners' tenure.
- c. The proposed Social Security Bill might well be resisted by those of the Government's supporters who had opposed the taxation of short-term benefits before their real value had been restored. Much would depend on the final form of the Youth Training Scheme.
- d. It was essential that an adequate number of major Bills should be introduced first in the House of Lords if the programme was to be successfully completed before Parliament rose in the summer of 1983.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet approved the Legislative Programme for 1982-83 set out in the Annexes to C(82) 22, subject to the addition of the Data Protection Bill, and the deletion of the Further Education Bill unless policy agreement could be reached at the next meeting of H Committee. They noted that the Social Security Bill might well be opposed by some of the Government's supporters, and agreed that it would be helpful if the Secretaries of State for Social Services and Employment could continue their efforts to persuade those concerned of the need for the proposed changes.

The Cabinet -

1. Approved the Legislative Programme for 1982-83 proposed in C(82) 22, subject to the points noted in the Prime Minister's summing up of their discussion.
2. Invited the Secretaries of State for Social Services and Employment to seek to persuade the Government's supporters in Parliament of the need for the provisions proposed for the Social Security Bill.

Cabinet Office

14 May 1982

SECRET

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CABINET

LIMITED CIRCULATION ANNEX

CC(82) 26th Conclusions, Minute 2

Thursday 13 May 1982 at 11.00 am

THE FOREIGN AND COMMONWEALTH SECRETARY said that a difficult situation had arisen in relation to current efforts to achieve an interim settlement under United Nations auspices. On 11 May there had been some signs that the Argentine position in the New York negotiations was softening. His public comments on this had been misinterpreted by some sections of the media as evidence that Britain was about to abandon the principles she had been defending. He would need to make clear in the Parliamentary debate that afternoon that this was not the case; that Britain was standing firm on her basic demands for Argentine forces to withdraw from the Falkland Islands and for the issue of sovereignty not to be prejudged; and that no British military moves were being delayed because of the negotiations. The Argentine position meanwhile appeared to have hardened and he did not himself now expect agreement to be reached. It was important to keep the negotiations going for the time being; and to make clear, if they broke down, that the fault lay with Argentina. The issues of greatest difficulty at present concerned the interim administration of the Falkland Islands and the position of South Georgia.

In discussion the point was made that many of the Government's supporters in Parliament would not have welcomed a settlement on the basis of the American-Peruvian plan outlined to Parliament by the Foreign and Commonwealth Secretary on 7 May; now, a week later, they would be even less willing to accept the sort of settlement which might emerge from the New York negotiations. Public opinion would not expect South Georgia in particular to form part of the negotiations at all, since it was a territory under British sovereignty and in British occupation. There was also unease that the Government's position on the paramountcy of the wishes of the Falkland Islanders had become more equivocal. While the jingoist tone of some of the popular press had obvious dangers for the future, any attempt to mitigate it would be interpreted as a lack of confidence in British military capability. Argentina's peace offensive was wholly disingenuous, but would, of course, be stepped up when an invasion of the Islands was known to be imminent. Against this, it was

SECRETFALKLAND
ISLANDSPrevious
Reference:
CC(82) 25th
Conclusions,
Minute 1

argued that, while British military action was already under way, preparations for a landing were not yet complete. In the meantime international opinion would expect Britain to continue the search for a peaceful settlement. It was not clear how soon the New York negotiations might collapse. Some of the Government's supporters appeared to underestimate the military risks which a landing would inevitably entail. The correct posture might, therefore, be to stress on the one hand that a landing was inevitable if negotiations did not succeed and on the other that no one could be certain what casualties or other losses might then occur. In the field of international sport problems were already beginning to arise as a consequence of the current crisis, eg, in relation to entry visas for Argentine sportsmen; and further consideration would need to be given to the attitude which Britain should adopt towards the forthcoming World Cup football matches in Madrid.

THE PRIME MINISTER, summing up the discussion, said that it would be essential to make clear in Parliament that no military moves which British forces were in a position to take were being held back because of current negotiations. She would endeavour to keep members of the Cabinet informed of major military decisions; but in certain circumstances a Cabinet meeting at an unusual hour, when Parliament was not sitting, could have dangerous implications for military security.

The Cabinet -

Took note.

Cabinet Office

14 May 1982