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100) 5th  
Conclusions

COPY NO 81

CABINET

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CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 7 FEBRUARY 1980  
at 10.30 am

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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 Lord Carrington  
Secretary of State for Foreign and  
Commonwealth Affairs

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer

The Rt Hon Sir Keith Joseph MP  
Secretary of State for Industry

The Rt Hon Francis Pym MP  
Secretary of State for Defence

The Rt Hon James Prior MP  
Secretary of State for Employment

The Rt Hon Sir Ian Gilmour MP  
Lord Privy Seal

The Rt Hon Peter Walker MP  
Minister of Agriculture, Fisheries and Food

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

The Rt Hon George Younger MP  
Secretary of State for Scotland

The Rt Hon Nicholas Edwards MP  
Secretary of State for Wales

The Rt Hon Humphrey Atkins MP  
Secretary of State for Northern Ireland

The Rt Hon Patrick Jenkin MP  
Secretary of State for Social Services

The Rt Hon Norman St John-Stevenson MP  
Chancellor of the Duchy of Lancaster

The Rt Hon John Nott MP  
Secretary of State for Trade

The Rt Hon David Howell MP  
Secretary of State for Energy

The Rt Hon Mark Carlisle QC MP  
Secretary of State for Education and Science

The Rt Hon John Biffen MP  
Chief Secretary, Treasury

The Rt Hon Angus Maude MP  
Paymaster General

**SECRET**

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Norman Fowler MP  
Minister of Transport

The Rt Hon Michael Jopling MP  
Parliamentary Secretary, Treasury

Mr Paul Ffrench  
Minister of State, Ministry of Agriculture,  
Fisheries and Food

Mr Paul Channon MP  
Minister of State, Civil Service  
Department (Item 6)

SECRETARIAT

Sir Robert Armstrong  
Mr M D M Franklin (Items 2-4)  
Mr P Le Cheminant (Items 5-8)  
Mr P J Harrop (Item 1)  
Mr R L Wade-Gery (Items 2-4)  
Mr W N Hyde (Item 1)  
Mr D R Instone (Items 5-8)

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# SECRET

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

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2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Soviet Union was now estimated to have about 85,000 troops in Afghanistan and to have suffered 1,000-1,500 casualties. The satisfactory outcome of the Islamic Conference in Islamabad had been enhanced by its decision to reconvene again in three months' time. The joint statement issued by President Giscard of France and Chancellor Schmidt of Germany, after their summit meeting on 5 February seemed on balance to indicate that they had moved closer to the British position; a careful reference to the position of Third World countries no doubt reflected President Giscard's recent meeting with the Indian Prime Minister, Mrs Gandhi. The British approach to the crisis had now been set out in a draft Statement of Principles, which had been well received when tabled at the meeting of the Foreign Ministers of the European Community on 5 February with a view to its being considered for endorsement by the Ministers at a further meeting on 19 February. Meanwhile some 40 governments had now come out against attendance at the Moscow Olympics, although it did not follow that their national Olympic committees would all follow suit. The Council of Ministers' meeting on 5 February had made some limited progress on this issue, on the basis of a German suggestion that the Governments of the European Community could not support the holding of the Games in Moscow unless the Russians created the requisite atmosphere, which they seemed unlikely to do. The Americans had agreed to call a meeting of certain key governments to consider the Olympic problem in Washington on 12-13 February, which it was to be hoped both the French and the Germans would agree to attend.

In the course of a brief discussion it was noted that Her Majesty's Government had not yet decided what their attitude would be, or what advice they would offer potential British participants, if the International Olympic Committee decided in favour of going ahead with the Games in Moscow. It would certainly not be appropriate to withhold passports. Much might depend on whether the Americans decided to hold alternative Games, eg in Los Angeles.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the United Nations Security Council Resolution on Rhodesia had been a regrettable development. Britain's friends on the Council had voted for it only from fear that the Africans might otherwise have reverted to a more extreme text which Britain would have had to veto: that would have led to a meeting of the General Assembly at which the African Resolution would no doubt have been widely supported. The speeches made by the representatives of friendly countries in explanation of their vote had been helpful (particularly that of France); they could usefully be referred to eg in answering Parliamentary Questions on the subject. It was now likely that a hostile resolution would be passed at the current Organisation of African Unity meeting in Addis Ababa; but this was not expected to provoke further activity at the United Nations.

The Cabinet -

Took note.



COMMUNITY  
TALKS

community  
budget

previous  
reference:  
(30) 4th  
conclusions  
note 3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that, during a long tete-a-tete the previous weekend with Monsieur Francois-Poncet, the French Minister of Foreign Affairs, he had argued our case on the Community Budget. The discussion had been friendly; but the French were still taking a very tough line and were expecting a quid pro quo. It did not seem that the subsequent Franco-German summit meeting had been particularly helpful either. There was however a general feeling in the Community that there were more important things waiting to be done and that the United Kingdom budget issue should, if possible, be settled soon.

In a brief discussion the following points were made -

- a. It remained important to achieve an early and satisfactory settlement. It was still the United Kingdom's objective to settle the issue by the time of the European Council at the end of March.
- b. The Institute of Fiscal Studies had recently published estimates suggesting that the total effect on the United Kingdom of the budgetary and non-budgetary costs of the Common Agricultural Policy (CAP) amounted to a net resource transfer of £2,200 million a year. Comparisons with world prices were difficult to make and official estimates suggested that this figure was somewhat exaggerated. Nevertheless, there was no doubt that the CAP represented a sizeable resource cost to the United Kingdom and to certain other Community countries.
- c. Some of our Community partners were now seeking to argue that the case for a large reduction in the United Kingdom's net contribution to the European Budget was weakened because the United Kingdom, alone in the Community, was benefiting from the rise in oil prices; that argument could and should be firmly countered.

synthetic  
textiles

THE SECRETARY OF STATE FOR TRADE said that for some months the United Kingdom had been pressing the European Community to take action against imports of synthetic textiles from the United States of America. Import penetration into the United Kingdom market by the United States of such products had risen steeply during the course of this year. The Commission had rejected action on a Community-wide basis but accepted that there could be certain regional problems. He had sought to persuade

Commissioner Davignon to agree to Community action on acrylic yarn, nylon carpet yarn and tufted nylon carpets and a formal request for the introduction of quotas for those three products would be made that day. It was not yet clear whether the Commission would be willing to act on all three of them. They had to take a decision within five days of receiving the formal request. If they refused, there was in his view no choice but for the United Kingdom to act unilaterally in accordance with the General Agreement on Tariffs and Trade (GATT) and Community procedures. There was a risk that, if that was done, the Community might require the United Kingdom to remove the restrictions at the March meeting of the Council of Ministers, although we might expect to get some support from Italy and France.

In a brief discussion, it was pointed out that the United States were strongly opposed to action against their exports and the Commission were concerned lest selective action of the kind we were seeking would lead to a general growth in protectionism and the unravelling of the recently concluded multilateral trade negotiations. Nor would it be good for our general relations with the Community if, in a month's time, we were forced to withdraw unilateral measures. On the other hand, the origin of the situation lay in the artificially low feedstock prices in the United States and there was little doubt that, if the United States were in a similar position, they would react vigorously to safeguard their domestic industry. Jobs had already been lost in this country as a result of the surge in United States imports. The situation was particularly acute in Northern Ireland. The Government's readiness to protect industries in particular difficulties, which had been favourably noted by the Trades Union Congress, would not be credible if no action was taken.

The Cabinet -

Took note.

4. THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the Conference on the future government of Northern Ireland was now considering the Social Democratic Labour Party's proposals for the government of the Province, which were well set out and less extreme in tone than had been feared. The participants had at last understood that the Government's approach to the Conference was a serious one and that there was no British formula waiting to be imposed if the Conference failed. No party seemed disposed to walk out, and the number of meetings to be held in February had been limited only by practical considerations - for instance, the obligations of certain participants to attend meetings of the European Parliament.

The Cabinet -

Took note.

NORTHERN  
IRELAND  
AFFAIRS

Previous  
reference:  
SC(80) 4th  
Conclusions  
Minute 4



INDUSTRIAL  
AFFAIRS

...  
and Strike

Previous  
Reference:  
(30) 4th  
Conclusions  
Minute 5

5. THE SECRETARY OF STATE FOR INDUSTRY said that negotiations were due to be resumed the following day between the British Steel Corporation (BSC), the Iron and Steel Trades Confederation (ISTC) and National Union of Blastfurnacemen. Mr Sirs of the ISTC had been mistaken in stating that there had been a "silent U-turn" in the Government's position: the Government's basic stance had not changed. The purpose of these statements might, however, be to justify the unions' decision to reopen negotiations with BSC.

In discussion the following points were made -

- a. While the prospects for a settlement looked more hopeful than in recent weeks there were still considerable uncertainties. In particular Mr Sirs might have considerable difficulty in persuading the ISTC Executive to accept a settlement on terms the BSC was likely to be able to afford.
- b. Picketing remained generally peaceful, though there was a risk of confrontation at the private steelworks at Sheerness, where large numbers of pickets were expected during the day. The police were, however, reasonably confident that they could contain the situation.

The Cabinet -

1. Took note.

British Leyland

Previous  
Reference:  
(79) 26th  
Conclusions,  
Minute 4

THE SECRETARY OF STATE FOR INDUSTRY said that British Leyland (BL) management were considering that day their response to the inquiry by the Amalgamated Union of Engineering Workers into the dismissal of Mr Derek Robinson and the demand for his reinstatement. The union was indicating informally a willingness to compromise on the basis that, if Mr Robinson was reinstated in his employment, he would be removed from union office. The management's reaction to this was not yet known, but they would be very reluctant to reinstate Mr Robinson. The results of the ballot among BL's employees on the management's pay offer was expected early in the following week: the outcome was very uncertain. A strike on either issue could have the gravest consequences for BL's future, particularly in the light of the continuing decline in its share of the domestic market, to only 15 per cent in January, which was a long way short of the target for the year as a whole set in their most recent corporate plan. The



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January figures did not, however, reflect the effects of the current sales campaign, which only began towards the end of the month

The Cabinet -

2. Took note.

Water Industry

Previous

Reference:

CC(80) 4th

Conclusions

Minute 5

THE SECRETARY OF STATE FOR THE ENVIRONMENT said during negotiations on 1 February the water industry employers had increased the offer to their manual workers to 13.2 per cent plus a further £4 per week to take account of the employees' claim for comparability with the gas and electricity industries; this produced a total of 19.2 per cent. In addition, the employers had offered to reduce the working week by 1 hour from the next annual settlement date. The employers had not consulted him in advance about this. If they had done so, he would have cautioned them against making such an offer in view of the possible repercussions in other industries. The union negotiators were recommending their members to accept the offer and it was likely that the recommendation would be accepted.

In discussion it was noted that this settlement could have awkward repercussions in Scotland. The water workers there would press for comparable increases; but in Scotland the water workers were local authority employees, and any comparable increases for them could lead to catching up demands from sewerage workers and other local authority employees in Scotland who had settled at the same rates as English local authority employees. Moreover, the water workers were in a closed shop with their supervisors, who would be likely to be involved in any industrial action.

The Cabinet -

3. Took note.

Port of London  
Authority

Previous

Reference:

CC(80) 4th

Conclusions

Minute 5

THE MINISTER FOR TRANSPORT said that the Port of London Authority management had recently indicated that, unless there were a significant improvement in working practices by the following June, closures would have to take place in the Upper Docks. The union reaction had been muted. At the same time the unions had rejected a 12 per cent pay offer and a series of strikes was planned. These were unlikely to be prolonged, and had not so far affected other docks. It was not clear whether the strike action would spread to Tilbury.

The Cabinet -

4. Took note. 6

CONFIDENTIAL

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that a dispute had arisen among ancillary workers at the Royal Liverpool Hospital over new work rotas which the management wished to introduce. Negotiations had been going on for a very long time, and most but not all the employees had accepted the new arrangements. Among those who had not agreed to the new rotas were kitchen staff, a strike by whom could be very disruptive. The present situation was confused, since it had been reported that a settlement had been agreed locally which had been repudiated nationally by the National Union of Public Employees.

In discussion it was reported that officials had reviewed the situation in the Civil Contingencies Unit (CCU). There might be some scope for volunteers, but the management feared that many would be reluctant to cross picket lines. The use of servicemen was likely to be counter-productive and should be contemplated only as a last resort. The situation was being kept under review, and it would be open to the Secretary of State for Social Services to request a meeting of the CCU at Ministerial level at any time.

The Cabinet -

5. Took note.

THE SECRETARY OF STATE FOR INDUSTRY said that British Shipbuilders were on the point of beginning their annual wage negotiations. Their aim would be to achieve a settlement that was as far as possible self-financing. The possible repercussions on British Leyland and the British Steel Corporation were being kept very much in mind.

The Cabinet -

6. Took note.



PARLIAMENTARY  
AND  
EXPENSES

6. The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (C(80) 10) about the thirteenth report from the Top Salaries Review Body (TSRB) on Parliamentary pay and allowances.

THE  
CHANCELLOR  
OF THE  
DUCHY OF  
LANCASTER  
SAID THAT

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that the Cabinet had previously agreed that the recommendations of the previous TSRB report on the pay of Members of Parliament (MPs) should be implemented in three annual instalments in June 1979, 1980 and 1981. The TSRB's present report examined proposals for linking MPs' pay with other salaries or with general indices; the report also dealt with a number of other issues left outstanding from their last report, the most important being secretarial allowances.

On pay linkage, the TSRB had concluded that there was no similarity between the functions and responsibilities of MPs and any other professional groups, and no easily identifiable relationship in terms of pay. They had repeated their earlier view that the best solution to keeping the pay of MPs up to date lay in regular independent reviews, but that, if some form of automatic updating was required, the least unsatisfactory method was by reference to the New Earnings Survey (NES). After consulting the Executive of the 1922 Committee, he had concluded that the best solution lay in agreeing to annual independent reviews by the TSRB. It would not be possible to give a formal commitment, as the 1922 Committee wanted, that the recommendations of future reviews would be automatically implemented, but the Government should be as forthcoming on this as it could. He was also exploring the possibility of avoiding a full-scale annual debate on MPs' pay or at any rate reducing as much as possible the scope for controversy and embarrassment which such debates were apt to engender. On this basis his proposals should be acceptable to the 1922 Committee.

As to secretarial allowances, the report proposed that the present allowance should be replaced by two separate allowances with maxima of £5,500 for a full-time secretary and of £1,250 for part-time research assistance. The TSRB considered that there should be better accountability for these allowances and that payments should be made direct to the employees concerned by the Fees Office. They had also suggested that there might be advantage if MPs' secretaries were employed by the House of Commons rather than by individual Members. He recommended that the Government should strongly urge MPs to arrange payment to their staff through the Fees Office but should not oblige them to do so. He did not favour the TSRB's suggestion that secretaries

should be employees of the House; this would be likely to cause difficulties for some MPs and for other staff of the House, and to increase costs.

In discussion, the following points were made -

- a. The Chancellor of the Duchy of Lancaster's proposals for regular annual reviews of MPs' pay, rather than formal linkages, should be accepted. This year's increase for MPs was likely to be high, since it would include the second instalment of last year's increase plus further updating; but it could be defended as an inevitable catching up from the position inherited from the last Government.
- b. The Government could not give an absolute commitment to implement the recommendations of future annual reviews, but a similar assurance could be used to that which had been given in the case of other review body groups, to the effect that recommendations would be implemented unless there were compelling reasons to the contrary.
- c. The TSRB had proposed that all travel by MPs on Parliamentary business in this country should be reimbursed, and not just travel between home, Westminster and an MP's constituency. This recommendation should be rejected, as it amounted to an open-ended commitment, was open to abuse, and would appear to put MPs on an unjustifiably favourable basis.
- d. The recommendations for increasing secretarial and research allowances were likely to encourage criticisms that these allowances were abused. This would be particularly likely if (as was suggested in discussion) the secretarial and research assistance allowances were amalgamated to provide greater flexibility. A firm requirement that allowances should be paid through the Fees Office would help to remove the possibility of abuse, but would be unpopular with Members. It might, however, be possible to require MPs who wished to claim secretarial and research assistance allowances to indicate on their claim the name of the person who was to receive the benefit of the allowance and possibly to indicate whether they were employed on a full or part-time basis. It was of course open to the Inland Revenue to look carefully into individual cases, though in practice claims allowed by the Fees Office were probably not generally challenged by the Inland Revenue.



e. There was a strong case for examining more generally the scope for greater accountability and cost control in the running of Parliament. On the face of it such control was inadequate when compared with most other parts of the public sector. It was symptomatic that Parliamentary expenditure had increased in real terms by about 10 per cent per annum over the past five years. It was not obvious, for example, why food and drink in the Palace of Westminster had to continue to be subsidised, now that salaries were on a more realistic basis; and some unnecessarily high expenditure appeared to have been incurred in recent refurbishing and redecoration of the Palace of Westminster. Staffing levels in some areas seemed unnecessarily high. In addition the requests and requirements of Parliament appeared to be imposing an increasingly heavy burden on Government Departments. One estimate suggested that senior civil servants spent one-third of their time on preparing answers to Parliamentary Questions and dealing with correspondence from MPs. The new system of Departmental Select Committees was likely to impose still greater burdens. There was a strong case for a wide-ranging enquiry to cover every aspect of the cost of Parliament.

THE PRIME MINISTER, summing up the discussion, said the Cabinet accepted the Chancellor of the Duchy of Lancaster's recommendation on MPs' pay. In particular they agreed that MPs' pay should be the subject of annual reviews by the TSRB. The Government could not commit itself to the implementation of such reviews in all circumstances, but the Chancellor of the Duchy of Lancaster could indicate that the Government intended to implement such recommendations unless there were compelling reasons to the contrary. On allowances, the Cabinet accepted that two secretarial and research assistance allowances should be introduced at the levels proposed by the TSRB. They did not favour amalgamating the two allowances to allow switching between them, but agreed that the Chancellor of the Duchy of Lancaster should consider further, in consultation with the Fees Office, whether there was any scope for some measure of flexibility between the two allowances which would not be unduly vulnerable to abuse. They further agreed that it would be preferable if MPs would normally arrange for the payment of secretaries and research assistants through the Fees Office; but the Government should not seek to insist on this, because it would not be appropriate in every case. The Cabinet rejected the TSRB's proposals for changes in the system of travel allowances and agreed that the existing arrangements should remain in being. They accepted the TSRB's

remaining recommendations, including those on support allowance for Ministers in the House of Lords. The Chancellor of the Duchy of Lancaster should discuss the proposals on secretarial and research assistance allowances further with the Executive of the 1922 Committee, with the Fees Office, and perhaps with the Parliamentary Labour Party. In his discussions the Chancellor of the Duchy of Lancaster should stress the need for accountability of expenditure and explore means of achieving this, for example through an obligation on the part of MPs to name the recipients of allowances and indicate the proportion of their time which they were giving to the employment which the allowances were intended to remunerate. He should then report back the results of these discussions. The Cabinet would consider further how best to examine the scope both for improving control over costs more generally in the Palace of Westminster (including the expenses of running both Houses of Parliament) and the scope for reducing costs to central Government in answering Parliamentary Questions and correspondence and in dealing with Select Committees.

The Cabinet -

1. Took note, with approval, of the summing up of their discussion by the Prime Minister.
2. Agreed that there should be annual independent reviews of MPs' pay and that an indication could be given that the Government would hope to implement the findings of such reviews unless there were compelling reasons against doing so.
3. Noted that the Chancellor of the Duchy of Lancaster would consider further the most appropriate Parliamentary processes for giving effect to increases in MPs' pay.
4. Invited the Chancellor of the Duchy of Lancaster to discuss further with representatives of opinion in the House, and the House authorities, the methods of payment of secretarial and research assistance allowances and the problems of accountability and report back to the Cabinet.
5. Invited the Chancellor of the Duchy of Lancaster, in consultation with the Minister of State, Civil Service Department, and other Ministers as necessary, to prepare a memorandum for the Cabinet on how best to examine the scope for reductions in and controls of the cost of Parliament, including the costs falling on Government Departments in meeting the demands made upon them by Members of Parliament and Select Committees.



VIEW OF  
SAS  
PROCEDURE

7. THE PRIME MINISTER informed the Cabinet of arrangements that had been made for a review of procedures for preventing and investigating unauthorised disclosures of Government information.

The Cabinet -

Took note.

VIEW OF  
GOVERNMENT  
STATISTICAL  
SERVICES

8. THE PRIME MINISTER said that she had asked Sir Derek Rayner to carry out a review of Government statistical services. She hoped that Ministers would ensure that their Departments co-operated fully with Sir Derek Rayner in the carrying out of this review.

The Cabinet -

Took note.

Cabinet Office

7 February 1983