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CC(83) 18th
Conclusions

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CABINET

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

THURSDAY 12 MAY 1983

at 10.00 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 Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

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

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

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry

The Rt Hon David Howell MP
Secretary of State for Transport

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

The Rt Hon Nigel Lawson MP
Secretary of State for Energy

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

The Rt Hon Lord Hailsham
Lord Chancellor

The Rt Hon Francis Pym MP
Secretary of State for Foreign and
Commonwealth Affairs

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

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon John Biffen MP
Lord President of the Council

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

The Rt Hon Baroness Young
Lord Privy Seal

The Rt Hon Norman Tebbit MP
Secretary of State for Employment

The Rt Hon Lord Cockfield
Secretary of State for Trade

The Rt Hon Tom King MP
Secretary of State for the Environment

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THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

Mr Peter Blaker MP
Minister of State for the Armed Forces,
Ministry of Defence

SECRETARIAT

Mr P L Gregson
Mr D F Williamson
Mr M S Buckley

C O N T E N T S

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PARLIAMENTARY
AFFAIRS

1. The Cabinet were informed of a number of statements of Government policy to be made by means of Written Answers to Parliamentary Questions before the dissolution of Parliament.

Finance Bill

Previous
Reference:
CC(83) 17th
Conclusions,
Minute 1

THE CHIEF SECRETARY, TREASURY, said that agreement had been reached with the Opposition to expedite the passage of a shortened, though still substantial, Finance Bill. The provisions regarding oil taxation, business expansion measures and certain industrial measures, would be retained. But those increasing the limits on the size of mortgage eligible for tax relief, relaxations in capital transfer tax, and increases in the income levels at which higher rates of income tax were levied had had to be dropped. This would have no immediate effect, since the Inland Revenue had issued income tax codings on the assumption that the proposals in the Finance Bill as originally presented to Parliament would become law. Provided that the Government was returned to office, there would be no lasting effect, since the Government had undertaken immediately to present a new Finance Bill giving effect to the provisions which had been dropped. Ministers should stress these points in public discussion. They should also point out that the Opposition attitude threatened the position of a substantial number of people with incomes in the middle range, and not only of those with the very highest incomes; and that the blocking of the increase in mortgage limits would hamper the smooth working of the housing market.

Reports of
Select
Committees

THE CHANCELLOR OF THE EXCHEQUER said that the Treasury and Civil Service Select Committee had considered two draft reports on the international monetary system; one had been prepared by one of the Committee's special advisers, the other by Dr Jeremy Bray MP. Neither was helpful to the Government. It was understood that the Committee intended to publish both the drafts on 24 May, the former as a Chairman's report.

THE PRIME MINISTER, summing up the discussion, said that Government spokesmen should vigorously attack the attitude of the Opposition to the provisions in the Finance Bill which they had obliged the Government to drop. The Chief Secretary, Treasury, should immediately circulate to the Cabinet appropriate briefing material, making clear how many people would be affected by the failure to increase the mortgage limits, and by the refusal to allow the threshold of liability to higher rates of income tax to be increased. This should cover both those who would become liable to the higher rates and those who were already so liable but would have to pay more tax if the Opposition's views were ultimately to prevail. Examples should also be given of the amount of additional tax which those affected would have to pay in this event during the remainder of 1983-84: this would include recovery of the reduction in tax which they had enjoyed under the codings which the Inland Revenue had already issued. The right of Select Committees to act in the way described by the Chancellor of the Exchequer was open to question: it implied publication of a report by a Select Committee of the House of Commons at a time when the House of Commons would have no members. The Lord President of the Council should take this matter, up urgently with the Speaker of the House of Commons.

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The Cabinet -

1. Invited the Chief Secretary, Treasury, to circulate briefing material on the lines indicated by the Prime Minister in her summing up.

2. Invited the Lord President of the Council, in consultation with the Parliamentary Secretary, Treasury, to make representations to the Speaker of the House of Commons concerning the propriety of Select Committees of the House publishing reports after the dissolution of Parliament.

2. THE PRIME MINISTER reported on the position reached in the exchange of views with the People's Republic of China about Hong Kong.

FOREIGN
AFFAIRS

Hong Kong

Previous
Reference:
CC(83) 8th
Conclusions,
Minute 2

Economic
Summit at
Williamsburg
28-30 May

Previous
Reference:
CC(83) 16th
Conclusions

THE PRIME MINISTER said that she had not yet taken a final decision about her attendance at the Economic Summit meeting at Williamsburg on 28-30 May and would be grateful for any views that the Cabinet might wish to express.

In discussion it was strongly argued that the Prime Minister should be present at the Economic Summit which was a meeting of major international importance. Although it was awkward that the Summit would now be taking place during the Election campaign, it was convenient that the meeting would coincide with the weekend of the Spring Bank Holiday.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

1983 Farm
Price
Negotiations

Previous
Reference:
CC(83) 15th
Conclusions,
Minute 3

3. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that a complete package, including a substantially increased butter subsidy for the United Kingdom, was awaiting decision by the Council of Ministers (Agriculture) on 16 May. The Italians, however, were still making large demands and it was possible that, if these were not met, they would not agree until after the Italian election at the end of June. This would create a difficult situation in some Community countries where farmers were already protesting strongly. United Kingdom farmers would also be discontented at the delay. He intended that the Nine should stand together and not give way to excessive Italian demands.

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European
Council
Meeting on
6-7 June

THE FOREIGN AND COMMONWEALTH SECRETARY said that he would be attending the informal meeting of Foreign Ministers at Gymnich on 14-15 May and the Council of Ministers (Foreign Affairs) on 24-25 May. This was essential because this Council had the remit to arrive at a conclusion on the interim budget solution and to report it to the European Council at Stuttgart on 6-7 June.

In discussion it was noted that the Prime Minister would wish to consider carefully whether it would be feasible and desirable for her to attend the European Council at Stuttgart bearing in mind that this would be in the last week of the General Election campaign and taking account of progress on the interim budget problem. If the Prime Minister was not to attend, the matter would require most careful handling.

The Cabinet -

Took note.

SOCIAL
SECURITY

4. The Cabinet discussed certain social security matters. Their discussion and the conclusions reached are recorded separately.

FUTURE
ARRANGEMENTS

5. THE PRIME MINISTER said that there was not likely to be a need for a further meeting of the Cabinet before the General Election. If any matter arose which required discussion the Ministers concerned would have to gather together to deal with it, as necessary.

THE HOME SECRETARY said that, as this was likely to be the last meeting of the Cabinet before the General Election, he wanted, on behalf of the whole Cabinet, to express their appreciation of the Prime Minister's leadership and to wish her the best of success in the forthcoming Election campaign which her leadership had so richly deserved.

THE PRIME MINISTER, thanking the Home Secretary and her colleagues, said that she in turn was conscious of how much she owed to the loyal support of the Cabinet who had worked together as an effective and united team.

The Cabinet -

Took note, with approval, of the statement made on their behalf by the Home Secretary and the Prime Minister's response.

Cabinet Office

12 May 1983

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LIMITED CIRCULATION ANNEX

CC(83) 18th Conclusions, Minute 4

Thursday 12 May 1983 at 10.00 am

SOCIAL
SECURITY

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that at the time of the 1983 Budget the Government had announced that it intended to change the basis of uprating the main social security benefits from forecasts of inflation to the actual increase in the Retail Price Index (RPI) in the 12 months ending in the May before the uprating in question. The previous method, based on forecasts, would probably have led to an uprating in November 1983 of 6 per cent, less any reduction which the Government might have decided to impose in order to recover all or part of the 2.7 per cent excess provision for inflation in the November 1982 uprating. Ministers had indicated at the time of the Budget that they expected the new method to produce an uprating of about 4 per cent; and the Financial Statement and Budget Report had assumed an increase of $4\frac{1}{4}$ per cent. It now seemed likely that the increase in the RPI between May 1982 and May 1983 would be about $3\frac{3}{4}$ per cent or even less. The Government was already under attack for changing the method of uprating on the grounds that the change was simply a way of saving money. If the November 1983 uprating was of less than 4 per cent, the Government might be accused of making further savings at the expense of pensioners. Although the RPI figure for May would not be published until 17 June it would be widely predicted; and the November 1983 uprating could therefore become an important issue in the General Election campaign. He therefore proposed that the Government should announce at the outset of the campaign that the November 1983 uprating would be of the order of either 4 per cent or $4\frac{1}{4}$ per cent.

THE CHANCELLOR OF THE EXCHEQUER said that the decision to change the basis of uprating from forecasts to actual figures had been taken on grounds of principle and had been remarkably well received in public discussion. If the Government abandoned its position of principle at the very first time of operation of the new method it would appear to have no confidence in its own arguments; and there would be no logical justification for whatever alternative figure it might select. The cost of what was proposed by the Secretary of State for Social Services would be about £220 million in a full year, equivalent to an increase of 0.2 per cent in National Insurance contributions. The Government had increased retirement pensions in real terms during its period of office and was under no obligation to go further: in any event, the additional increase in retirement pensions that would flow from accepting the Secretary of State's proposals would be small in actual money terms

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for the individual concerned and could not outweigh the serious damage that would be done to the coherence of the Government's position if the principle of using actual figures was abandoned.

THE PRIME MINISTER, summing up the discussion, said that the Secretary of State for Social Services had been right to raise the issue to which he had drawn attention. But the Cabinet were clearly agreed that it would be wrong to abandon their previous decision to uprate the main social security benefits by reference to actual increases in the RPI. The fact that this year's uprating seemed likely to be low was only a reflection of the Government's success in defeating inflation: pensioners were among the main beneficiaries of that success. In this, as in other matters, the Government should stand firm during the General Election campaign on its previously declared policies.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Agreed that, as previously envisaged, the November 1983 uprating of social security benefits would be based on the actual increase in the Retail Price Index between May 1982 and May 1983.

Cabinet Office

13 May 1983