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CC(83) 37th
Conclusions

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CABINET

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

THURSDAY 15 DECEMBER 1983

at 9.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Lord Hailsham
Lord Chancellor

The Rt Hon Leon Brittan QC MP
Secretary of State for the Home Department

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

The Rt Hon Peter Walker MP
Secretary of State for Energy

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment

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

The Rt Hon Lord Cockfield
Chancellor of the Duchy of Lancaster

The Rt Hon Michael Jopling MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

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THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Lord Mackay of Clashfern QC MP
 Lord Advocate (Item 4)

Sir Patrick Mayhew QC MP
 Solicitor General (Item 4)

The Rt Hon John Wakeham MP
 Parliamentary Secretary, Treasury

Mr John Gummer MP
 Minister of State, Department of
 Employment (Items 2 and 3)

SECRETARIAT

Sir Robert Armstrong
 Mr P L Gregson (Item 5)
 Mr A D S Goodall (Items 2 and 3)
 Mr D F Williamson (Items 2 and 3)
 Mr M S Buckley (Item 5)
 Mr C J S Brearley (Items 1, 2 and 4)
 Mr R Watson (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 during the following week. The House would rise for the Christmas Recess on Thursday 22 December and return on Monday 16 January.

FOREIGN
AFFAIRS

Lebanon

Previous
Reference:
CC(83) 36th
Conclusions,
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the consultations between the Foreign Ministers of the four countries contributing to the Multinational Force (MNF) which had taken place in Brussels on 8 December had been unsatisfactory. He hoped that it would be possible to arrange a further round of consultations in the margins of the Foreign Affairs Council on 19 December. From his conversations with the United States Secretary of State, Mr Shultz, and the United States Special Representative in the Middle East, Mr Rumsfeld, it appeared that the American view was diverging from that of their fellow contributors. The Americans maintained that moderate Arab opinion was taking a calmer view of American actions in the Lebanon, but British information suggested that the MNF was increasingly coming to look to the Arabs like a combatant force. The forward posture adopted by the Americans and French, although understandable in terms of the heavy casualties they had suffered, was difficult to reconcile with the MNF's peacekeeping role. The French approach to the President of the Lebanon, Mr Gemayel, to persuade him to agree to a scaling down of the French component appeared to have been unsuccessful, but the French Foreign Minister, Monsieur Cheysson, had told him that the French component would nevertheless be reduced, although the reductions would be fewer and slower than originally planned. The Italian Government was also under increasing domestic pressure to withdraw its component, but adhered for the moment to the position that withdrawal would take place only when the reconciliation talks had been completed. The issues would need to be thoroughly discussed in the four-power consultations foreseen for 19 December.

THE PRIME MINISTER said that she had received President Gemayel in London the previous day. He had offered a considered, well-informed and realistic view of the situation, although on some points he had been more optimistic than the facts seemed to warrant. He had stressed the crucial importance of maintaining the MNF in place and his belief that it would be impossible for the reconciliation talks to succeed if the MNF were withdrawn. He had explained that, although the reconciliation talks had been indefinitely adjourned, representatives of the various participants were in touch with one another behind the scenes and he was hopeful that they would reach a sufficient measure of agreement to enable the reconciliation talks to resume the following week. But he would not reconvene the talks if there was no basis for agreement in sight. He had also been optimistic about the performance of the Lebanese armed forces, which were maintaining their cohesion despite the fact that about 50 per cent of the officers and 60 per cent of the other ranks were Moslem. There was to be a meeting of the Ceasefire Commission that day in Damascus which could have an important bearing on the future course of events.

THE SECRETARY OF STATE FOR DEFENCE said that President Gemayel's tribute to the performance of the British contingent to the MNF (BRITFORLEB), confirmed the high regard in which the British troops were held by all the parties on the ground. This did not however diminish the risk to which they were exposed from terrorist action designed to prevent any improvement in the situation in Beirut. The building occupied by BRITFORLEB remained highly exposed, but the commanding officer was strongly of the opinion that his force should stay there. Alternative accommodation would be available on HMS Fearless, and the British Embassy compound was available for use by members of the force who were off duty. But the decision whether to move the troops and, if so, to which location was best left to the operational judgment of the commanding officer. Three British soldiers who had accidentally fallen into the hands of a local militia had been immediately released when their nationality had been discovered. Four shells had fallen near the BRITFORLEB building on the previous day. It appeared that these might have been deliberate near misses, to register, while the Lebanese President was in London, that he was not the only force to be reckoned with in the Lebanon. He had himself made immediate telephone contact with the Druze leader, Mr Jumblatt, who had undertaken to do everything possible to prevent any further bombardment. So far there had been no recurrence.

The Cabinet -

1. Took note

Iran/Iraq

THE FOREIGN AND COMMONWEALTH SECRETARY said that officials were in close and continuous touch with the Americans about the situation in the Gulf. It would be essential to ensure that the Government was in a position to react promptly and effectively in the event of a closure of the Straits of Hormuz, and contingency planning was well in hand. He would be circulating a memorandum on this jointly with the Secretary of State for Defence for consideration by colleagues the following week. The United States Ambassador had suggested that a major Iraqi attack on Kharg Island might be imminent, which would greatly heighten the risk of escalation of the war. Although there was no collateral evidence for this, the situation was clearly fraught with danger.

Argentina

THE FOREIGN AND COMMONWEALTH SECRETARY said that Parliamentary opinion had understood the distinction between the American decision to recertify Argentina as qualifying on human rights grounds for arms sales and the question of actual arms sales, on which the United States Administration recognised the need to take account of British interests before any major sales took place. There were some indications that the new Argentine President, Senor Alfonsin, was against any major arms purchases; but he had maintained since the election his electoral

Previous
Reference:
CC(83) 36th
Conclusions,
Minute 2

CONFIDENTIAL

rhetoric on the Falkland Islands and was vigorously pursuing the previous Argentine Government's campaign at the United Nations. Reports from Buenos Aires suggested that the Argentines were inclined to see the exchange of messages between the Prime Minister and Senor Alfonsin on the occasion of the latter's inauguration as opening the way for an improvement in bilateral relations. It would be important that the Argentines should be left in no doubt that there could be no question of talks about sovereignty, without giving an impression of intransigence on other issues. Although the Argentines were insisting that the construction of the Falkland Islands airfield should be discontinued as part of the price for a formal cessation of hostilities, they might be prepared to explore other possibilities through informal contacts. The question of resuming contacts with Argentina at official level could be explored through the Swiss. It would be premature to look for Argentine co-operation in joint ventures to exploit offshore mineral resources in the Falkland Islands area. The possibility of establishing a 200 mile Fisheries Protection Zone around the Falkland Islands, as recommended by Lord Shackleton, needed further consideration: but it would be impossible to police; and to seek to establish such a zone unilaterally would be seen as a further challenge to Argentina on sovereignty. The new Argentine Government should also be reminded of the outstanding British offer of a properly organised next-of-kin visit to the islands.

CONFIDENTIAL

THE PRIME MINISTER, summing up a short discussion, noted that Argentine determination to establish sovereignty over the Falkland Islands was undiminished. There could be no question of any secret talks with the Argentines or of negotiating any formula with them which could be interpreted as compromising the Government's position on British sovereignty over the islands. A formal cessation of hostilities must be the pre-condition for any resumption of diplomatic relations with Argentina or lifting of the present Exclusion Zone around the Falkland Islands.

The Cabinet -

2. Took note.

Falkland
Islands
Records

CONFIDENTIAL

THE FOREIGN AND COMMONWEALTH SECRETARY said that, while the Lord Chancellor could issue a certificate authorising that documents should remain closed beyond the normal period for release to the Public Records Office (PRO), it had become apparent that, if a certificate was not issued and documents were released, however mistakenly, there was no procedure by which such a mistake could legally be rectified and documents mistakenly released recalled. Documents could be withdrawn temporarily from the PRO for Departments to use in their work, and certain papers relating to the Falkland Islands had in fact been withdrawn using this procedure. They could not, however, be retained indefinitely on this account, and it was becoming increasingly

difficult to justify not returning them to the PRO, in the face of requests from academics and others who know of their existence and were seeking access to them. On the other hand, their release now could be very damaging to United Kingdom interests by making it necessary to disclose prematurely arguments which would need to be deployed if a case on Falkland Islands' sovereignty came before the International Court of Justice at the Hague. This was a particular instance of a general problem about the recall of documents mistakenly released to the PRO, and it was for consideration whether, despite the difficulties in such a course, early legislation should be introduced to enable the recall of documents, including the papers he had referred to, in such circumstances.

In discussion it was argued that the release of the Falkland Islands papers concerned could cause great harm. On the other hand, one of the documents would shortly become available to public access in Australia, and it was likely that most of the arguments and views contained in the papers were already known or guessed at by those most interested in the issues. Furthermore, there would be considerable suspicion of the Government's motives in introducing legislation and widespread opposition to it. It could not be certain that legislation would be carried, if it were seen to be related to this particular case. It would be better to return the documents to the PRO, preferably along with other papers that set them in their proper context.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the question of legislation on the general issue should be considered in the normal course of business, and that, in the meantime, the Falkland Islands papers concerned should be returned to the PRO. The precise timing and manner of this would need to be carefully considered. Ministers in charge of Departments should take care to ensure that their Departmental arrangements for reviewing documents before release to the PRO took adequate account of the need to insure against inadvertent release of documents which ought to be withheld and could not be recalled once released.

The Cabinet -

3. Invited the Foreign and Commonwealth Secretary to arrange for the return of the particular Falkland Islands papers concerned to the Public Record Office at an appropriate time and in an appropriate manner.
4. Agreed that Ministers in charge of Departments should satisfy themselves on the arrangements for reviewing documents for release to the Public Record Office, as suggested in the Prime Minister's summing up.

COMMUNITY AFFAIRS

Community Budget and United Kingdom Refunds

Previous Reference: CC(83) 35th Conclusions, Minute 3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the European Parliament would be voting today on the Community's budget for 1984. It was possible that the European Parliament would put the United Kingdom's 1983 refund of 750 million ecu net (together with the corresponding German refund) into the reserve Chapter 100. This would not in itself prevent the payment of the refund by the end of March 1984 but it would make it more difficult. In discussion it was pointed out that the Budget Council had correctly included the refund of 750 million ecu net on budget lines and that there was no dispute with the Council on this point. It was possible that the European Parliament, in addition to action on the United Kingdom refund, would also vote for a general increase in spending commitments above the level of the funds likely to be available. It would not be right to consider the withholding of Community funds, either in relation to the 1983 refund or the additional risk-sharing element of the 1982 refund which the United Kingdom claimed, so long as the Community was not in default on its obligations towards the United Kingdom.

Imports of Butter from New Zealand

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that at the Council of Ministers (Agriculture) on 12-13 December it had not been possible to get agreement to the Commission's longer-term proposal for the continued import of butter from New Zealand after 1 January 1984. The United Kingdom, however, had successfully obtained, despite strong French and Irish resistance, a rollover arrangement for two months which set quantities acceptable both to the United Kingdom and New Zealand. The Council would come back to the longer-term proposal later.

Fisheries

Previous Reference: CC(83) 30th Conclusions, Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that at the Council of Ministers (Fisheries) on 14 December agreement had finally been reached on 1983 catch quotas for North Sea herring. The result was favourable to the United Kingdom which obtained about 24 per cent of the total catch quota, compared with an actual catch of about 16 per cent of the total when fishing was open over the period from 1960 to 1976. The United Kingdom fishing industry was able to support the settlement. This agreement would now allow all the other elements of the common fisheries policy to fall into place. The prospects for a stable system for the future were now much better.

Community Programme for Information Technologies (ESPRIT)

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY reported that the Council of Ministers (Research) on 13 December had again discussed the European Community's programme for research and development in information technologies (ESPRIT). Agreement had not been reached on its funding in the light of the German and United Kingdom reserves.

Steel
Previous
Reference:
CC(83) 35th
Conclusions,
Minute 3

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the Council of Ministers (Steel) on 14 December had made some progress on measures to improve the Community's steel market. Agreement might be possible at the next meeting.

The Cabinet -

Took note.

RESTRICTIONS
ON
CONVEYANCING
FOR REWARD

4. The Cabinet considered a memorandum by the Lord President of the Council (C(83) 35) about restrictions on conveyancing for reward.

THE LORD PRESIDENT OF THE COUNCIL said that the Home and Social Affairs Committee had twice discussed the question of the Government's policy towards restrictions on conveyancing for reward, but had been unable to reach a conclusion. All members of the Committee agreed that there should be an increase in competition for the provision of these services, but there was disagreement about the method by which such an increase should be brought about. The matter had become more urgent because of the Second Reading on Friday 16 December of Mr Austin Mitchell MP's House Buyers Bill. It was therefore necessary for Cabinet to reach a decision at its present meeting. There were three alternative choices. The first was to carry further the course of action pursued for some time by the Lord Chancellor in persuading the Law Society to ease their restrictions on competition. The Lord Chancellor had already had considerable success in this field and he wished to be allowed to continue the process. The second option was to allow solicitors who were employed, eg by banks or building societies, to undertake conveyancing for third parties. This would increase competition within the legal profession, but would ensure the maintenance of standards and therefore of consumer protection. This was a point to which the Lord Chancellor attached considerable importance. The third option was to allow non-legally qualified persons to undertake conveyancing, subject to suitable safeguards as regards competence, probity and indemnity. In this case it would be for consideration whether the extension should be restricted to conveyances of registered land. Although opinion in the Committee had been divided, there was a clear majority in favour of a firm decision of principle in favour of the second option, but with consultation about precisely how it should be implemented.

THE LORD CHANCELLOR said that he wished his colleagues to be in no doubt that a decision to extend the right of conveyancing could have a most serious impact on the legal professions and on the Government's relationships with them. He was in any case strongly opposed to the House Buyers Bill, because even if one were to accept the principle of extending the right of conveyancing, many of its provisions were in his view either unnecessary or misconceived. As far as the proposal to extend conveyancing to non-legally qualified persons was concerned,

he had to point out that the Royal Commission on Legal Services in England and Wales (Benson) had concluded, after exhaustive consideration, that operations in this highly technical area should continue to be restricted to legally qualified persons. The Commission could not see how adequate safeguards on competence and probity could be maintained, without setting up a new profession, whose overheads would be similar to those of solicitors. There would therefore be no advantage to the consumer in the form of lower prices. He thought that it would be quite wrong for the Government to overturn without any further inquiry or consultation the cogently expressed view of a Royal Commission. The arguments about the extension to employed solicitors were different. There were problems about conflict of interest which would have to be carefully considered. Benson had come down against such an extension, but the argumentation on this point had been more cursory than that on the extension to non-legally qualified persons. On the other hand, Benson had indicated that there was no evidence that the building societies or others wished to enter this field. He therefore considered that the first step must be to consult with the professions about whether such an extension could be operated without there being damaging conflicts of interest. He strongly recommended that the Cabinet should not commit itself to this course of action without prior consultation.

In discussion the following points were made -

- a. It was important to ensure that the operation of conveyancing, and the ancillary operations with which solicitors were also concerned, should continue to be subject to professional supervision, discipline and ethics. There was no reason to believe that this would be weakened by an extension to solicitors employed by banks or building societies. Indeed it might be strengthened thereby, since such institutions were likely to insist on standards at least as rigorous as those required by the professional bodies.
- b. In the case of extension to employed solicitors, it was essential that the use of an employed solicitor should not be able to be imposed as a condition of a loan for house purchase or offered as a loss leader in an attempt to secure business. Further consideration should be given to the question whether any types of employers (eg builders) should be excluded.
- c. Although the conveyancing of registered land was a simpler operation than the conveyancing of unregistered land, the associated problems which might arise in the course of the transaction were similar and might sometimes be no less complicated. Legal expertise was required for the full appreciation and resolution of these problems.

d. The Government's primary obligation must be to protect the consumer and not the professions. There was no reason to believe that the creation of a sub-profession of conveyancers could not provide proper protection for the consumer. The increase in competition which would result would be entirely consistent with the Government's general policy.

e. There was a political need for a commitment now. Any suggestion that consultation would be about the principle of whether a change should be made would weaken the Government's position and run the risk of considerable delay.

f. The Law Society had now supported the proposal from the Royal Commission that a Standing Committee of the Law Commission should be set up to consider technical aspects of land law in relation to conveyancing.

THE PRIME MINISTER, summing up the discussion, said that there was a clear majority in the Cabinet in favour of an immediate announcement of the Government's commitment to the principle of extending the right of conveyancing to employed solicitors and to consultation about how this should be done and how risks of conflict of interest should be avoided. There was also a clear majority in favour of the view that there should be consultation on the principle of extending the right outside the legal professions. The timing and method of this further consultation would require discussion, but the use of a Standing Committee of the Law Commission was one possibility. In addition every effort should be made to speed up the land registration programme, and the Cabinet welcomed indications given during the discussion that it might be possible to find additional manpower for this purpose. As far as Mr Mitchell's Bill was concerned, the Solicitor General should intervene in the debate to explain the decisions the Government had now taken. In the light of that Ministers should vote against the Bill if Mr Mitchell obtained the closure and backbenchers should be encouraged to do likewise. If she was asked about the subject at Prime Minister's questions later that day, she would announce the broad outlines of what had been decided.

The Cabinet -

1. Agreed that action should be taken to extend the right to conveyance to employed solicitors and that consultations on how to achieve this and to avoid problems of conflict of interest should be initiated as soon as possible.

2. Agreed that further consultations should be initiated to examine the possibility of extending the right to conveyance outside the legal professions. Such consultations should take into account the need to impose adequate conditions of competence and probity on prospective conveyancers and to avoid conflicts of interest.

3. Agreed that Mr Mitchell's Private Members' Bill should be opposed.
4. Invited the Lord Chancellor, in consultation with the Secretary of State for Trade and Industry and the Solicitor General, to proceed in accordance with these conclusions.
5. Took note that the Prime Minister would agree, with Ministers directly concerned, the terms in which the outlines of what had been decided could be announced in answer to Parliamentary Questions that afternoon and conveyed to Government supporters in the House of Commons for the purposes of the debate on Mr Mitchell's Bill.
6. Invited the Lord Chancellor to discuss with the Chief Secretary, Treasury, how the progress of land registration might be speeded up.

ELECTRICITY
PRICES

5. The Cabinet considered a memorandum by the Secretary of State for Energy (C(83) 36) about electricity prices.

Previous
Reference:
CC(83) 33rd
Conclusions,
Minute 4

THE SECRETARY OF STATE FOR ENERGY said that following the Cabinet's discussion on 10 November he had pressed the Chairman of the Electricity Council to secure the agreement of the 12 Area Electricity Boards and the Central Electricity Generating Board to a price increase of 3 per cent from April 1984. He had reinforced this by pointing out that the Government had published an external financing limit (EFL) for 1984-85 which would require the industry to pay £740 million to the Exchequer. The Electricity Council was ready to accept this EFL and was confident of its ability to meet it; but it was opposed to the price increase. Part of the background to this was that as recently as the spring of 1983 the Government had urged the industry to reduce the element in its prices attributable to future investment. A target rate of return of 1.4 per cent on current cost assets had been agreed for the two years 1983-84 and 1984-85; this target was lower than the Electricity Council had proposed. Since then, the industry had done better than its target. It was under heavy pressure from industry and consumer interests to avoid price increases or to give rebates. Instead of the price increase of 6 per cent in 1985-86 which it had earlier foreseen, the Electricity Council now thought an increase of only 3 per cent would be needed; this removed the likelihood of a severe price increase in 1985-86. Against this background, the industry saw the Government's request for a 3 per cent price increase in 1984-85 as inconsistent with the financial framework which the Government itself had established. The industry should be managed by reference to financial targets; the Government should avoid varying those targets at short intervals; and price determination should be left to the industries within the financial framework determined by the Government. Some of his colleagues had expressed concern about how the electricity industry would stay within its EFL in 1984-85; and they were anxious that it should not do so by running down coal stocks (which would reduce power station endurance) or by engaging in end-year switches of money. The Chairman of the Electricity Council had assured him that he had no intention of resorting to these devices. There would be no rundown of power station coal stocks, although there might be some modest rundown of the continental stockpile which the Treasury had favoured. The Council was also ready to propose a price increase during the year if this proved necessary to stay within the EFL; the industry's progress would be monitored closely by the Department of Energy. The industry had a record of keeping its promises. He therefore concluded that it should be left to minimise price increases within its exigent EFL for 1984-85. Even without any increase in tariffs, there would be a small increase in prices to industrial consumers under fuel price adjustment clauses; this would balance a small reduction in 1983-84.

In discussion the following main points were made -

a. In previous discussions, Ministers had been anxious to avoid the uneven pattern of price increases which would have resulted from a standstill in 1984-85 followed by an increase of 6 per cent in 1985-86. If a price increase of only 3 per cent would be needed in 1985-86, even after a standstill in 1984-85, that altered the balance of argument. On the other hand, what price increase would be needed in 1985-86 would depend not only on economic and other factors which could not be accurately predicted now but also on the industry's financial target for

the period after 1984-85, which had not yet been set. When it was set, there would be good arguments for requiring a substantially higher rate of return on current cost assets than 1.4 per cent, and the EFL for 1985-86 would need to reflect this.

b. The industry's latest figures were open to doubt. It was surprising that they had not been put forward at an earlier stage of the public expenditure discussions. Even now, they provided inadequately detailed information. Moreover, the improvements in them appeared to derive largely from changes in economic and other assumptions and not from improvements in efficiency. Nationalised industries were not slow to ask for changes in their financial targets and EFLs if external circumstances moved against them. It must equally be open to the Government to propose changes if external circumstances moved favourably. On the other hand, it was argued that it was wrong to impose new requirements on a nationalised industry once a policy and an appropriate set of targets had been agreed with it. Such action would be contrary to all good precepts of management. It would be damaging for the Government to be seen to be interfering with a nationalised industry in this way, and particularly with a view to forcing through a price increase.

c. If a price increase was needed during 1984-85 that fact would probably not become apparent until some way through the year. The procedures for increasing electricity prices were cumbersome and slow to take effect. In order to provide the required amount of revenue the increase would probably have to be significantly larger than was desirable. When similar circumstances had arisen in the past, Ministers had been forced to vary the EFL of the industry in question rather than insist on price increases that were excessive in economic terms.

d. If electricity prices in England and Wales were not increased the position in Scotland would be made more difficult. The Scottish Electricity Boards would probably have to increase their prices by at least 5 per cent in 1984-85. Against that, it was argued that electricity prices in Scotland were low relatively to prices in England and Wales and that any differential price increase there in 1984-85 would help to reduce the imbalance.

e. It would be unfortunate if domestic electricity prices were frozen while industrial prices rose: industrial consumers, who were already critical of the allegedly excessive price of electricity in this country compared with other countries in Western Europe, would regard this as an unjustified cross-subsidy, and would not be mollified by the fact that there had been reductions under the fuel price adjustment clauses in 1983-84.

f. The Government had no statutory power to require the electricity supply industry to impose a particular price increase; but nationalised industries usually responded to views expressed by Ministers. Indeed, it would be impossible for the Government to discharge its responsibilities if it confined its actions to those with explicit warrant in statute.

SECRET

THE PRIME MINISTER, summing up the discussion, said that the Cabinet sympathised with the difficulties faced by the Secretary of State for Energy. They were not, however, willing to agree that there should be no increase in electricity prices from April 1984: this would run too great a risk that undesirably large increases would be needed later, either in 1984-85 or in 1985-86. The Cabinet were also anxious that it should not appear that industrial consumers were facing price increases, through the operation of fuel price adjustment clauses, while domestic consumers were not. The Secretary of State for Energy should tell the Chairman of the Electricity Council that it was the considered view of the Cabinet that domestic electricity tariffs should be increased by 2 per cent from April 1984; but that industrial tariffs should not be increased otherwise than by the operation of the price adjustment clauses. The Cabinet saw no reason why the Electricity Council should reject this view, or why legislation should be needed to enforce it. As proposed in C(83) 36, it would, of course, be necessary to monitor the electricity supply industry's financial progress and to ensure that, while all possible savings from genuine improvements in efficiency were pursued, the industry did not stay within the published EFL for 1984-85 by undesirable or artificial devices.

The Cabinet -

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

Cabinet Office

15 December 1983

SECRET