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E(80) 26th Meeting

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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at
10 Downing Street on
TUESDAY 22 JULY 1980 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 Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

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

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

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

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 John Biffen MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Mark Carlisle QC MP
Secretary of State for Education
and Science
(Item 1)

The Rt Hon Norman Fowler MP
Minister of Transport
(Item 2)

Mr Michael Alison MP
Minister of State
Northern Ireland Office
(Item 2)

Mr Michael Roberts MP
Parliamentary Under-Secretary of State
Welsh Office
(Item 2)

Mr J R Ibbs
Central Policy Review Staff

SECRETARIAT

Sir Robert Armstrong
Mr P Le Cheminant
Mr D J L Moore

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1. UNIVERSITY TEACHERS' PAY

The Committee considered a memorandum by the Secretary of State for Education and Science (E(80) 73) on the settlement of university teachers' pay as at 1 October 1979.

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that he recommended that university teachers' pay as at 1 October 1979 should be increased by 19.6 per cent, over and above the interim award of 10 per cent from October 1979 given last December. It had been intended that the final settlement for October 1979 should be based on recommendations to be made by the Standing Commission on Pay Comparability. The Commission had subsequently advised that they could not report until October 1981, and the Government had agreed with the Association of University Teachers (AUT) and the university authorities that, instead, a settlement should be negotiated within the cash limit provision. In May the AUT and the university authorities had recommended increases averaging 19.6 per cent. When compounded with the interim payment of 10 per cent, this gave a total of 31.6 per cent which was less than the 32.5 per cent assumed for the settlement in the 1980-81 cash limit for the universities. Failure to accept this recommendation would be regarded as a breach of faith. It would be contrasted with the Government's acceptance earlier in the year of 1979 settlements which provided for catching up by other comparable groups, and its commitment to accept a further increase of 19.5 per cent from October 1979 for university technicians. If agreement could not be reached, the AUT and the university authorities would be likely to propose arbitration. Under present arrangements he could not unreasonably withhold his agreement to this, and an arbitral award would be binding subject to the overriding authority of Parliament. If he were to refuse arbitration, the university interests might take court action. If, on the other hand, agreement could be reached for 1979 his intention would be to secure an exemplary settlement from October 1980 of not more than 10 per cent.

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In discussion the following points were made -

a. Approval of a settlement totalling 31.6 per cent for the university teachers would undermine the impact of the Government's recent decisions to reduce the increases recommended by the Top Salaries Review Body (TSRB) for Members of Parliament and for senior public servants. Assistant Secretaries in the Civil Service had been refused arbitration in the light of recent changes in the economic situation and, if necessary, the university teachers should be treated similarly. They had security of tenure, and there were no difficulties in recruiting to the profession. If the Government were to approve high settlements for them, it would be offensive to opinion in the private sector, and particularly to small firms in the university towns; and it could be seized on by other major groups which would be negotiating on pay in the Autumn.

b. The reduction in the increases proposed in the TSRB reports had been on 1980 settlements, whereas the current settlement for the university teachers was in respect of 1979. The proposal could be accommodated within the relevant cash limit for 1980-81. It would be wrong to treat the university teachers more harshly than other comparable groups. This pointed to negotiating a settlement for 1979 which should be lower than the 19.6 per cent proposed but acceptable to the university interests. This should be possible, since it was thought that many university teachers were expecting less.

THE PRIME MINISTER, summing up the discussion, said that the Committee did not accept that university teachers should be awarded a further increase of 19.6 per cent from October 1979 in addition to the interim award of 10 per cent that they had already received. The maximum acceptable increase was 14.6 per cent and, in his negotiations, the Secretary of State for Education should aim at securing a lower settlement if possible. He should make clear both to the AUT and to the university authorities that a higher figure could not be justified in the light of the current economic situation. If as a result the university interests were to ask for arbitration, the Secretary of State for Education should report further to the Committee.

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The Committee -

Invited the Secretary of State for Education and Science -

i. to arrange for negotiations aimed at a settlement of no more than 14.6 per cent for the balance of the pay increase for university teachers from 1 October 1979;

ii. to inform the Committee of any settlement reached within this limit and to report further if the university interests were to seek arbitration.

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2. ENTERPRISE ZONES

The Committee considered a memorandum by the Secretary of State for the Environment E(80) 72 on the choice of sites for Enterprise Zones (EZs) in England.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he recommended that there should be initially six EZs in England. If the Committee agreed, he could announce now decisions on the establishment of EZs in the Salford and Trafford Park area of Greater Manchester; Bilston in the West Midlands; and in London on the Isle of Dogs, where he recommended that the Docklands Urban Development Corporation (UDC), rather than Tower Hamlets, should be the EZ authority. He would also indicate that the Government were considering with the local authorities concerned three further EZs in the Newcastle and Gateshead area; at Speke in Liverpool; and in Wandsworth. Most of these sites would require public expenditure on infrastructure. He would find provision for this from within his present programme, and he would need to seek additional provision in later years only if the schemes proved to be particularly successful and demand for public expenditure on them built up. In response to private sector and local authority representatives, who were concerned about unfair competition in retailing, he had reluctantly decided to accept that, where necessary, planning applications would have to be made for hypermarkets.

In discussion the following points were made -

- a. The Secretaries of State for Scotland and Wales were ready to announce, at the same time as the announcement on the English sites, that there should also be EZs at Clydeside and the Lower Swansea Valley. The Secretary of State for Northern Ireland had already announced his agreement in principle to a site in Belfast.
- b. It was agreed that the Wandsworth site should not be included. It might prove expensive to develop, and there could be objections to it for environmental reasons. Moreover, the decision to designate two EZs in London could be criticised in other parts of the country.

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c. Consideration should be given to the choice of a further site in the North of England, possibly in the Attercliffe area of Sheffield which was affected by closures and redundancies in the steel industry. The possibility should not be ruled out of establishing further EZs in the next year; although local authorities should not be encouraged to make further bids and it would be preferable to establish first how successful were the original sites.

d. While it was necessary to establish a site in Liverpool, in response to the unemployment problem in the area, there were considerable doubts whether the EZ at Speke would be successful.

e. The planning restrictions provisionally proposed by some of the local authorities were too restrictive. Apart from the exception proposed for hypermarkets, the Government should not accept restrictions on retailing. This could be a promising growth area, with scope for enterprise. People working in manufacturing industries within the EZ would need shops.

THE PRIME MINISTER, summing up the discussion, said that the Committee approved the sites recommended by the Secretary of State for Environment for EZs in England, with exception of that at Wandsworth. The Secretary of State should consider the possibilities for selecting a further site in the North. The Government's decisions on the sites in England, Scotland and Wales should be announced in the forthcoming Censure debate. Parliament should be reminded at the same time of the decision already taken in principle on the EZ in Belfast. The statement should be in terms which would not rule out the possibility of designating further sites within the next year. The Committee agreed that where necessary planning applications should continue to be required for hypermarkets, but it should be made clear to those authorities still negotiating that EZs would not be approved unless the planning arrangements were acceptable and in particular the Government did not wish to exclude retail activities. The of the Secretaries of State concerned should aim to accommodate public expenditure on the sites by reallocations within their existing programmes.

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The Committee -

1. Approved the list of sites in England in paragraph 4 of E(80) 72 with the exception of Wandsworth.
2. Agreed that the Docklands Urban Development Corporation should be the Enterprise Zone authority for the Isle of Dogs and that, where necessary, planning applications should continue to be required for hypermarkets.
3. Invited the Secretary of State for the Environment -
 - i. to consider further the establishment of another Enterprise Zone in the North of England.
 - ii. in consultation with the Secretaries of State for Scotland, Wales and Northern Ireland to draft a statement, to be made in the course of the coming debate on unemployment, on the Government's choice of Enterprise Zone sites.

Cabinet Office

23 July 1980

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