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(80) 44th
conclusions

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CABINET

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

THURSDAY 11 DECEMBER 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 Lord Hailsham
Lord Chancellor

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 Lord Soames
Lord President of the Council

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-Stevas 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

SECRET

The Rt Hon John Biffen MP
Chief Secretary, Treasury

The Rt Hon Angus Maude MP
Paymaster General

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Norman Fowler MP
Minister of Transport

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr M D M Franklin (Items 2 and 3)
Mr P Le Cheminant (Item 4)
Mr R L Wade-Gery (Items 2 and 3)
Mr W N Hyde (Item 1)
Mr D J L Moore (Item 4)
Mr L J Harris (Item 1)

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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.

Announcements
Housing and Rate
Support Grant

Announcements
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THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he intended to make a statement in the House of Commons on Monday 15 December covering a number of controversial matters of housing policy. On Tuesday 16 December he would make a statement about the Rate Support Grant (RSG) settlement in England for 1981-82. He would try to keep both statements as short as possible. With one exception, announcements about the RSG settlement had always been made in the past by written reply, but in view of the present Parliamentary sensitivity on this subject, and the fact that 1981-82 would be the first year in which the block grant arrangements had applied, he had agreed with the Chancellor of the Duchy of Lancaster that a departure from precedent would be justified. He would make it clear in the statement that in future years the Government intended to revert to the existing practice of making announcements about the RSG settlement in written answers. It was the more important to do this since, under the new arrangements, if an oral statement was made on the English settlement, similar oral statements for Wales and Scotland became virtually unavoidable: in other words, it was a matter not of one statement but of three separate statements. This year the Secretary of State for Wales would be making a combined statement on housing and the RSG settlement in Wales on Tuesday 16 December, and the Secretary of State for Scotland would make a statement on the Scottish RSG settlement on Wednesday 17 December. He and other Ministers in his Department would be briefing Government supporters and the Press on the effect of the English settlement and its underlying policy implications, including the relevant policy assumptions for different local government services. He would also be arranging for colleagues to receive appropriate background information about the effect of the settlement on local authorities in their constituencies.

Yellowlees Report

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THE SECRETARY OF STATE FOR THE HOME DEPARTMENT said that the Yellowlees Report on the medical examination of immigrants was to be published on 15 December. The report contained statements which were potentially explosive in both domestic and Commonwealth terms if taken out of their medical context. He had prepared a draft statement in consultation with the Foreign and Commonwealth Secretary and the Secretary of State for Social Services which he had hoped to make by way of a written reply. The Opposition had at first appeared to accept this approach but their spokesman was now pressing for an oral statement. If he refused to make one, there was a danger that the considerable number of backbenchers on both sides of the House who had strong, though conflicting, views on racial issues, would accuse the Government of attempting to suppress the report. He might therefore have to make an oral statement on Monday 15 December. If so, he would try to discourage hasty over-reaction to the report.

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THE SECRETARY OF STATE FOR TRADE said that an early announcement of the Government's intention not to renew existing textile quotas was essential. He was prepared to give a written reply, but the business managers considered that, because of the sensitivity of the House of Commons on matters affecting the textile industry, it would be preferable for the statement to be made orally. It would have to be made on either Monday 15 or Tuesday 16 December.

Industry

THE SECRETARY OF STATE FOR INDUSTRY said that the Chairman of the British Steel Corporation (PSC) would be holding statutory consultations with the steel unions that day, and would be presenting the corporate plan for BSC to his Board the following day. If approved, the plan would be submitted to the Government immediately after the Board meeting, which would be followed by a Press conference held by the Chairman. Although the Government had no advance warning of what was likely to be contained in the plan, there had already been a great deal of speculation, particularly in Wales, and a Private Notice Question (since disallowed) had already been tabled for answer that afternoon. The Government could expect to come under strong pressure to make a statement in the House of Commons at the beginning of the following week.

Fisheries and
Agriculture

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that he would need to make a statement on fisheries policy on Wednesday 17 December. Depending on the outcome of the meeting of the Council of Agricultural Ministers which had been arranged in Brussels for Thursday 18 December, he might need to make a further statement on agriculture on Friday 19 December.

In discussion it was pointed out that two important and controversial statements on the RSG settlement in England and on housing and the RSG settlement in Wales had to be made on Tuesday 16 December. If further oral statements were made that day, statements and the lengthy questions that followed would take so long that the Government would be in grave danger of being unable to carry the supply estimates, with the consequent loss of a whole day's business. It would therefore be preferable for any necessary statements on steel and textiles to be made on Monday 15 December, though this would inevitably curtail the time available for Private Members' Motions. It would be extremely difficult to find time on that day for a fourth statement, on the Yellowlees Report, and it might well be necessary to revert to the Government's original intention of dealing with the matter by means of a written reply.

THE PRIME MINISTER, summing up this part of the discussion, said that the Cabinet agreed that oral statements on housing in England and on textiles should be made on Monday 15 December; on the RSG

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settlement in England and on housing and the RSG settlement in Wales on Tuesday 16 December; on fisheries and on the RSG settlement in Scotland on Wednesday 17 December; and, subject to developments in the Council of Ministers, on agriculture on Friday 19 December. It was unreasonable to expect the Government to give considered reactions to the BSC's corporate plan at such short notice, but the Secretary of State for Industry should be ready to make a statement or to answer a Private Notice Question on the subject on Monday 15 December. The congestion of statements on Monday 15 and Tuesday 16 December meant that it would be virtually impossible to fit in a statement on the Yellowlees Report; the Home Secretary and the Chief Whip should renew their efforts to secure the Opposition's concurrence to a Written Answer on Monday 15 December. Even without a statement on the Yellowlees Report, there was likely to be substantial curtailment of the time available for Private Members' Motions on Monday 15 December. It would be unreasonable for the Opposition to complain about this when they continued to press for a large number of statements on various subjects, but the Chief Whip should be prepared to offer to move a procedural resolution extending Private Members' time to 8.00 pm on that day and subsequent business by one hour.

The Cabinet -

1. Took note of the timetable for oral statements in the following week as indicated in the Prime Minister's summing up.
2. Invited the Ministers concerned, in consultation with the Chancellor of the Duchy of Lancaster and the Chief Whip, to make arrangements accordingly.
3. Invited the Home Secretary, in consultation with the Chief Whip, to use his best endeavours to obtain the concurrence of the Opposition to his announcing the publication of the Yellowlees Report in a Written Answer.
4. Invited the Chief Whip, in consultation with the Chancellor of the Duchy of Lancaster, to offer to the Opposition the possibility of extending the time available for Private Members' Motions by one hour on Monday 15 December, and to arrange if necessary for the tabling of the appropriate procedural resolution.

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THE CHANCELLOR OF THE DUCHY OF LANCASTER said that following the debate on Parliamentary pay, pensions and allowances in the House of Commons on 21 July, he had circulated a factual memorandum to all Members of Parliament setting out the financial implications of implementing the Motions that had then been passed. He was now committed to putting down further Motions, in the light of the reaction to this document, on linkages between the pay of Members of Parliament and other public service groups, the accrual rate for pensions, and the level of pensionable pay. He had discussed these issues with leading representatives of the three main parties in the House of Commons, and had secured their agreement to the Government's proposals on linkage and accrual. The Motions would provide for linkage to be considered further by a Select Committee, on the basis of quinquennial independent reviews, with the use of a basket of comparators in intermediate years. Those he had consulted agreed that the 1/40ths accrual rate proposed in the Motion of 21 July was unreasonable, and that an acceptable compromise would be to retain the 1/60ths rate originally proposed but to offer Members the opportunity to buy added years by instalments over a five-year period. The proposal to base pensions on the actual figure of £13,150 rather than on the notional salary figure of £13,750 recommended by the Top Salaries Review Body (TSRB) had attracted strong opposition from the Labour Party and no support from the Liberal Party representatives, although representatives of the 1922 Committee were prepared to acquiesce in the lower figure. He intended to table an unamendable resolution providing for the use of £13,150 as the pensionable base. He would make every effort in consultation with the Chief Whip to ensure that this Motion was carried, but 57 of the Government's own supporters had voted for the Motion adopted on 21 July, and it was impossible to say what the likely outcome of the free vote on a future occasion would be. If the Motion was defeated, the Government would have to accept the will of the House on Members' pensionable pay. In that event, he proposed to make clear that, as the Cabinet had already agreed, the pensionable basis for all the public sector groups concerned would also have to be aligned with the TSRB salary recommendations. The debate would now take place as early as possible in the New Year.

THE PRIME MINISTER, summing up a brief discussion, said that although the immediate cost of using a notional salary basis for the pensions of all the groups covered by the TSRB was relatively small (about £1½ million in the first year), the psychological effect of treating financially privileged groups in this way could be very damaging. It would wrongly imply an intention to move towards the full TSRB salary recommendations in the course of the next year, and would be totally at variance with the efforts being made to hold the pay element in the cash limits for the public sector to 6 per cent. It was irresponsible for Members of Parliament to be seen to be seeking privileged treatment in present economic circumstances, and every effort should be made to

ensure that the Motions proposed by the Chancellor of the Duchy of Lancaster were carried. All members of the Government and their Parliamentary Private Secretaries should vote for the Motions, and the Chief Whip should endeavour to ensure that as many as possible of the Government's other supporters also voted in favour.

The Cabinet -

5. Invited the Chancellor of the Duchy of Lancaster to table Motions on linkage, accrual, and pensionable rates of pay on the lines which he had proposed for debate after the Christmas Recess.

6. Invited the Chief Whip to make arrangements to ensure that all members of the Government and their Parliamentary Private Secretaries, and as many as possible of the Government's other supporters in the House of Commons, voted in favour of these Motions.

THE CHANCELLOR OF THE EXCHEQUER said that, as envisaged in the Cabinet's earlier discussion of the cost of Parliament, he had attended a meeting of the House of Commons Commission. He had hoped to be able to persuade the Commission to seek the assistance of the Treasury in the formulation and imposition of cash limits on their expenditure and the help of the Civil Service Department in the control of manpower. He had found, as the Chancellor of the Duchy of Lancaster had indicated during the Cabinet's earlier discussion, that the House of Commons Commission were not receptive to Government advice. They were not prepared to take up his suggestions and did not appear to attach sufficient importance to the effective control of the expenditure for which they were responsible.

The Cabinet -

7. Took note.

FOREIGN
AFFAIRS
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Portugal

2. THE LORD PRIVY SEAL said that Portugal had suffered a serious loss in the death of her Prime Minister, Dr Sa Carneiro, in an air crash. He had been the main driving force in the present Government, whose position had been further weakened by the ease with which President Eanes had been re-elected for a second term against their strong opposition. The continuance of a democratic system in Portugal was not yet assured; and it was to be hoped that Dr Sa Carneiro's party, the Social Democrats, would be able to find an adequate leader to take his place.

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THE LORD PRIVY SEAL said that the situation inside Poland appeared somewhat calmer, but the danger of Soviet intervention remained. The Warsaw Pact summit meeting in Moscow had in effect put Poland on probation, as was clear from the attendance there of Ministers responsible for defence and internal security. The Russians appeared to have completed their military precautions and to be in a position to intervene at any time. Intelligence indicators might still provide the West with 24 to 48 hours' warning of such a move, but there would be less warning if military action were initially based on forces which were already in Poland, eg on manoeuvres. Four United States airborne warning and control system aircraft were being deployed to West Germany. The Foreign and Commonwealth Secretary had the previous day discussed the situation with his colleagues among Britain's NATO allies; they seemed to feel that the Western reaction to Soviet intervention at present envisaged would be inadequate, particularly in the economic field, but some of them might well in the event find it difficult to go much further.

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THE LORD PRIVY SEAL said that tension between Jordan and Syria had been further reduced. There was no sign of an end to the war between Iraq and Iran, where military stalemate persisted.

Affairs

THE PRIME MINISTER said that she had visited Dublin on 8 December, accompanied by the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Northern Ireland, for a routine bilateral meeting with the Prime Minister of the Irish Republic, Mr Haughey, and other Irish Ministers. In accordance

with precedent a joint communique had been issued after the meeting, and she had not (despite some pressure to the contrary) made any statement in Parliament. In the present case there was nothing to add to the communique. The proposed joint studies with the Irish Government would examine economic and other areas in which it might be possible to achieve greater co-operation between the United Kingdom and the Republic and thus increase mutual understanding. The reference to the possibility of new institutional structures was not directed to relations between Dublin and Belfast, where there was no intention of reviving ideas eg for a Council of Ireland, but to relations between Dublin and London, where it might be possible to draw on models provided by France and Germany or by Belgium and Luxembourg. It was satisfactory that the communique recorded Mr Haughey's concurrence in the hope that the Secretary of State for Northern Ireland's statement of 4 December would provide a basis for ending the hunger strike and other protest action in the Maze Prison. Mr Haughey had regrettably not been willing to condemn the hunger strike in public, but he had made clear in private that he did so; he had not sought to argue that the strikers' demand for political status should be met; and he had accepted that there was nothing more the British authorities could offer them. It was against this background that the Secretary of State for Northern Ireland had subsequently arranged for a senior official of the Northern Ireland Office to visit the hunger strikers in order to explain to them in detail the conditions which were already on offer.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the seven men on hunger strike were still strong enough to walk and had been assembled in a single room by the Governor of the prison. His official had then taken them through his statement of 4 December, making quite clear that the purpose of the visit was to explain rather than to negotiate. It was perhaps encouraging that the prisoners had asked many detailed questions about the available conditions as described in the statement. Copies of the statement had been sent to the next-of-kin of the hunger strikers and of all other prisoners taking protest action. It was clear that those who were organising public support for the strikers were disappointed by the paucity of the response. Public opinion had probably been influenced against the strikers' cause by the shooting of an innocent woman bystander and three policemen in an ambush in Strabane on 9 December, which had given rise to a protest march in Belfast.

THE PRIME MINISTER, summing up the discussion, said that much was at stake. The ending of the hunger strike and other protest action by prisoners would be a major achievement. If efforts to this end failed, serious violence might well erupt and the co-operation of the Republic in cross-Border security matters could be jeopardised. A situation of such difficulty called for maximum discretion in public statements.

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THE SECRETARY OF STATE FOR ENERGY reported that a satisfactory agreement had been reached at the recent Ministerial meeting of the International Energy Agency (IEA) which should help to calm the world oil markets. It had been useful to secure the support of Japan, and probably the new United States Administration as well as the present one, for a concerted effort by the members of IEA to seek to moderate energy prices. While some further rise in both official and spot prices for oil was to be expected, it was to be hoped that this would do no more than reflect inflation rates.

The Cabinet -

Took note.

COMMUNITY
AIRS
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3. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that, although other member states and the Commission had agreed at the Council of Ministers (Agriculture) on 8-9 December to a three-year arrangement for New Zealand butter, the French had prevented agreement and a further meeting of the Council had been fixed for 18 December. If no agreement on a long-term arrangement was reached then, the Commission were preparing a regulation which would allow continued imports on a monthly basis at the rate agreed for the current year. Although the French had shown slight signs of movement in bilateral consultations it was possible that the French would veto even this temporary accommodation. The legal problems which this would create were being examined. He was in close touch with the New Zealand authorities.

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THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said there would be difficult negotiations at the Council of Ministers (Fisheries), which was due to meet on 15-16 December. Several countries were still unwilling to accept the proposed quota allocations.

The Cabinet -

Took note.

4. The Cabinet considered a memorandum by the Lord President of the Council (C(80) 74) on the provision for Civil Service manpower in the 1981-82 estimates.

THE LORD PRESIDENT OF THE COUNCIL said that Departments' bids for Civil Service manpower in 1981-82 were higher than expected, mainly because of the growth in the numbers of staff dealing with the unemployed. The total bids were for 698,500 at 1 April 1981 and for 693,000 at 1 April 1982. The total for April 1981 represented an increase on the 697,000 staff in post on 1 October 1980. The Government would be severely criticised if the total in any quarter was higher than that in the previous quarter. To avoid this, and to establish a clear and strong downward trend in Civil Service numbers towards the Government's published target of 630,000 civil servants by April 1984, he recommended that the total bids should be revised to 695,000 in April 1981 and 685,000 in April 1982. These figures represented reductions of about $\frac{1}{2}$ per cent and $1\frac{1}{4}$ per cent respectively on the existing bids. To this end there should be restrictions on recruitment from January 1981, on the lines of those imposed in 1979, which should remain in force until the downward trend had been firmly established. This was not a matter of setting new targets, but of ensuring that the target reduction to 630,000 by April 1984 was achieved, and of the rate of progress to that objective. Nor was it a ban on recruitment; it was a matter of each Minister paying particular and personal attention to the levels of recruitment in his Department in the months ahead, with a view to ensuring that a clear downward trend was maintained. He invited each Minister to let the Civil Service Department have revised manpower bids by Tuesday 16 December. Provided Ministers volunteered sufficient reductions, the unwelcome choice between even more stringent restraints upon recruitment and abandoning the present targets for manpower reductions could be avoided.

In discussion the following points were made -

- a. It was generally agreed that, while a total ban on recruitment would present severe operational difficulties, strict control as proposed by the Lord President of the Council was acceptable. It was essential for the Government to avoid increases at any time in Civil Service manpower, and to show a trend of continuing reduction. Otherwise they would be heavily criticised by private industry, and would lose credibility with the local authorities who were themselves under severe pressure to reduce their manpower.
- b. Some Departments (notably the Ministry of Defence) were on course for the reductions to which they were committed, and would have difficulty in going further or faster. The Ministry of Defence already had restrictions on recruitment in force, and

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were proposing staff reductions of 6,200 between April 1981 and April 1982, by comparison with net increases of 700 by all other Departments taken together. Nonetheless all Departments should review their bids to see what more they could achieve in 1981 and 1982.

c. For the moment the problem centred on the year ahead. In the longer term substantial savings should be achieved as effect was given to major proposals, some of which were dependent on legislation. In particular a number of measures were under examination for reducing the numbers of staff dealing with the unemployed.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that it was essential to establish a clear downward trend in Civil Service numbers towards the target of no more than 630,000 by April 1984 and, in particular, to avoid increases in staff numbers in any quarter. Each Minister should now arrange for the submission of revised manpower estimates to the Civil Service Department with a view to arriving at revised totals of 695,000 in April 1981 and 685,000 in April 1982. Each Minister should also take personal responsibility for control of recruitment by his Department. These arrangements should remain in force until the Cabinet were satisfied that manpower reductions were firmly on course towards the 1984 target.

The Cabinet -

1. Agreed that, with the objective of establishing a firm downward trend towards the target of no more than 630,000 civil servants by April 1984, the aim should be to agree on total provision in estimates of 695,000 by 1 April 1981 and 685,000 by 1 April 1982.
2. Invited each Minister in charge of a Department:
 - a. To arrange for revised manpower estimates to be submitted to the Civil Service Department by Tuesday 16 December.
 - b. To maintain, until further notice, personal control of recruitment by his Department.

Cabinet Office

11 December 1980