

DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

32nd
Conclusions

COPY NO 80

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 7 AUGUST 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

The Rt Hon John Biffen MP
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

SECRETARIAT

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

CONTENTS

Subject	Page
PARLIAMENTARY AFFAIRS	1
Mr Gwynfor Evans	2
House of Commons' Disqualification Act	2
Defence Cash Limit	3
FOREIGN AFFAIRS	
Zimbabwe	5
Vanuatu	5
Israel	5
Iran	5
COMPENSATION AND PRIVATISATION OF SHIPBUILDING	6
NON-DEPARTMENTAL BODIES (QUANGOS)	7

PARLIAMENTARY
QUESTIONS

1. THE CHANCELLOR OF THE DUCHY OF LANCASTER informed the Cabinet of the business to be taken in the House of Commons in the week beginning 27 October.

The Chancellor of the Duchy said that a short Bill would be needed to amend the Tenants' Rights (Scotland) Bill to reflect the amendments which the Government had now agreed to accept to the Housing Bill. This Bill would probably be introduced in the House of Lords and, since it met the wishes of the Opposition, could subsequently be taken through all its stages in the House of Commons in a single day in the week beginning 27 October. It was only in the following week that the House would be able to consider the Lords' amendments to the Civil Aviation Bill, the Broadcasting Bill and the Local Government, Planning and Land (No 2) Bill. The latter Bill in particular would be vulnerable to a concerted Opposition attack on the lines of that mounted against the Housing Bill. The number of Government amendments made to the Housing Bill in the House of Lords and the limited time available for their consideration in the Commons had helped to make that attack possible. It was of the utmost importance that the number of Government amendments tabled in the Lords to the Local Government, Planning and Land (No 2) Bill should be kept to the absolute minimum, and the need for the fifty Government amendments already proposed should be re-examined with this in mind. On present plans, Parliament would probably be prorogued towards the end of the week of 3 November: the State Opening of the next Session would now be on 13 November.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the Minister for Local Government had discussed the handling of the Local Government, Planning and Land (No 2) Bill in the Lords with the Lord President of the Council and had agreed not to table some of the proposed amendments and to table others only if there were adequate time available. His main concern was that Government supporters in the House of Lords who expressed the views of the local authority associations would combine with cross-bench and Opposition peers to defeat the Government on the provisions of the Bill dealing with the simplification of planning procedures and the proposed block grant. It might be possible, though undesirable, to accept some amendments on the planning provisions but preparations for the Rate Support Grant (RSG) settlement for the next financial year were already going ahead on the basis of the block grant system. If these provisions of the Bill were not to become law in October it would by then be impossible to revert to the existing system for calculation of the RSG for 1981-82. There was likely to be a need for a guillotine motion when the Bill returned to the House of Commons.

Gwynfor Evans THE HOME SECRETARY said that the discussion on the Broadcasting Bill could well take place in a difficult and emotionally-heightened atmosphere if Mr Gwynfor Evans, the leader of Plaid Cymru, died or became seriously ill as a result of his proposed hunger strike in protest against the decision not to allocate a television channel exclusively to Welsh language broadcasting. Everything possible was being done by Mr Gwynfor Evans's friends and by influential public figures in Wales to dissuade him from this course, but all the indications seemed to be that he would persist in his protest.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that it had been suggested that National Health Service (NHS) employees were civil servants. If this view gained ground, one effect would be that Members of Parliament, such as the Minister for Health, who held NHS appointments would be disqualified for the purpose of the House of Commons' Disqualification Act. The Law Officers were considering the question; if they came to the conclusion that the Act applied to NHS employees there would need to be legislation to give indemnity to the Members concerned, and perhaps also separate legislation to make it clear that NHS employees were not civil servants or holders of offices of profit under the Crown.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet recognised that the House of Lords would face a heavy burden of legislative work when they returned from the Summer Recess on 6 October. They had identified a number of problems that were likely to face the Government in both Houses in securing the enactment of the remaining four Bills in their programme and, in particular, the Local Government, Planning and Land (No 2) Bill. Fifty-five Government Bills had, however, already received Royal Assent this Session and, despite the last-minute problems with the Housing Bill, another five would do so before the Recess. This represented a considerable achievement, the credit for which was largely due to the efforts of the business managers in both Houses.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.

THE CHANCELLOR OF THE EXCHEQUER said that when the Defence Cash Limit for 1980-81 was set there was agreement i. that it should be raised as necessary to cover the cost of pay increases for the Armed Forces and ii. that it should be reviewed in the light of developments in the international situation and the response to them of the North Atlantic Treaty Organisation (NATO), and of Britain's commitment to her NATO allies for a 3 per cent growth in defence expenditure in real terms. It had now been agreed that the Cash Limit should be raised by £54 million to take account of i., but difficulty had arisen over ii. Spending in the first quarter of the financial year indicated that the Cash Limit would be overspent by £650 million over the whole year unless cuts were made. The Secretary of State for Defence had agreed that steps should be taken to eliminate £250 million of this, which represented volume in excess of the accepted programme; and also that the Cash Limit for 1980-81 should be reduced by £50 million to compensate for overspending in 1979-80. The remaining £400 million of the projected 1980-81 overspend was caused by costs increasing faster than had been foreseen when the Cash Limit was fixed. He himself would have preferred to see no increase in the Defence Cash Limit on this account, given the overriding importance of maintaining cash limits discipline and thus the basis for the Government's economic strategy; but, in the light of the Secretary of State for Defence's strong representations about the consequences of such a course both for the defence programme and for Britain's relations with NATO, it had been agreed that the Defence Cash Limit should be raised by £200 million (which would be £150 million net after deduction of the £50 million in respect of overspending in 1979-80), in addition to the extra £54 million for Armed Forces pay. This would represent a total increase of 21.8 per cent over the Defence Cash Limit for 1979-80.

THE SECRETARY OF STATE FOR DEFENCE said that, while he and the Chiefs of Staff accepted this decision, given the very special situation created by current economic circumstances, it represented a heavy blow to the Government's agreed defence policy, which was based on aiming for annual increases of defence spending in real terms in the region of 3 per cent in line with the agreed NATO target. The increase in 1979-80 had been only 2.5 per cent up on 1978-79; and the increase in 1980-81 would now be only about 1.5 per cent. He would do his best to keep to a minimum the damage which this would cause. But it would be essential to ensure that increases in line with the 3 per cent aim were resumed in 1981-82 and subsequent years.

THE PRIME MINISTER, summing up a brief discussion, said that the Government's inability to meet the 3 per cent target in the current year was a matter which all members of the Cabinet would regret. It nevertheless had to be accepted in the interests of the control of public expenditure, which was vital if the underlying base of the national economy was to be got right. The co-operation which had been shown by the Secretary of State for Defence and the Chiefs of Staff was greatly appreciated. Decisions about the level of defence expenditure in 1981-82 would be taken when cash limits for 1981-82 were set in the autumn of 1980.

The Cabinet -

2. Took note.

2. THE LORD PRIVY SEAL said that the difficulties facing the Prime Minister of Zimbabwe, Mr Mugabe, would be increased following the arrest by the police on a murder charge of the Minister of Manpower Planning, Mr Tekere, who was the leader of the extremist wing of Mr Mugabe's party. The leader of the other coalition party, Mr Nkomo, was the Minister to whom the police were responsible. Mr Mugabe was maintaining the position that the law should take its course.

THE LORD PRIVY SEAL said that the situation in the secessionist island of Santo was tense but quiet, although one bridge had been destroyed. It had been agreed that British and French troops should remain there for two weeks longer. It might be possible for a force from Papua New Guinea to take over thereafter. The situation had been complicated by the unhelpful attitude taken by the Australian Government at the United Nations.

THE LORD PRIVY SEAL said that there might be a debate at the United Nations on the Israeli Government's new law on the status of Jerusalem, which had now passed the Knesset. It was understood that the Prime Minister would shortly be receiving a personal message on the subject from President Sadat of Egypt.

THE LORD PRIVY SEAL said that, following the incidents involving Iranian "students" in the United States, there seemed little prospect of progress towards the release of the American hostages.

THE HOME SECRETARY said that the unruly conduct of Iranian residents in Britain had provoked demands from the British public that they should be expelled. If one of the magistrates before whom they appeared were to order their deportation, it would be relatively easy for him to take action. Although he had a power on his own initiative to order the deportation of individuals whose presence was in his judgment not conducive to the public interest, the international consequences of his exercising that power in this instance might be serious. There was also a technical difficulty over signing deportation orders in the case of persons who refused to give their name

The Cabinet -

Took note.

COMPENSATION

PRIVATISATION

SHIPBUILDING

3. The Cabinet considered memoranda by the Secretary of State for Industry (C(80) 51) and by the Lord Chancellor (C(80) 52) on compensation for the nationalised shipbuilding and aircraft companies and the introduction of private sector capital into the shipbuilding and shiprepair industries.

THE SECRETARY OF STATE FOR INDUSTRY said that he had considered further, in consultation with the Secretary of State for the Environment, the suggestion that the former owners of the warship building yards might be invited to choose between compensation on existing terms, under the Aircraft and Shipbuilding Industries Act 1977, and the return of their yards. He had also considered the possibility of keeping the present compensation terms but introducing legislation for privatisation and then offering the yards back at market value. He had reluctantly concluded that neither of these courses was practicable. From discussions with former owners it was clear that they would be interested only if they were given assurances over a range of issues: there was no question of simply handing the yards back to them. It would be necessary, for example, to take account of the substantial capital investment by British Shipbuilders (BS) in the yards and to clarify the treatment of tax allowances, the implications for pension funds and the recovery of progress payments. Long and complex legislation would be necessary to deal with these questions and, unless the Bill were to apply to all the shipbuilding and shiprepair companies of BS, there was a risk that it would be declared hybrid. The Opposition would seize the opportunity to threaten renationalisation if they were to come back into power. There would be an immediate cost to the Public Sector Borrowing Requirement, because of the repayment of progress payments, and the probability of widespread and costly industrial unrest within the industry. He reluctantly concluded therefore that privatisation should be deferred and that there should be no change in the present compensation provisions.

THE LORD CHANCELLOR said that he agreed with the Secretary of State for Industry's conclusion. In his view the question of privatisation should be considered separately from that of the alleged inequity of the compensation terms. Retrospective legislation was objectionable in principle; and in this case retrospective legislation to change the compensation terms would benefit those shareholders who had held on to their shares in the hope of such legislation but not those who had sold to cut their losses. It would compound the injustice to the latter group, while rewarding the former whose moral claim was no greater.

CONFIDENTIAL

In discussion it was agreed that, while the compensation terms of the 1977 Act were deplorable and in effect confiscatory, they could not be changed now. While it might be possible to negotiate solutions to some of the difficulties identified by the Secretary of State for Industry, there could be no avoiding complex and controversial legislation and the likelihood of creating further injustices. It was moreover important that the Chairman of BS should be given the opportunity to tackle the problems of the industry free from the difficulties which a move to privatisation at this stage would bring.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet reluctantly accepted that the compensation terms under the 1977 Act could not now be amended. They also agreed that the privatisation of British Shipbuilders should be deferred, although it remained the Government's intention to privatise the yards in whole or in part as soon as it was practicable to do so.

The Cabinet -

1. Agreed that there should be no change in the terms of compensation under the Aircraft and Shipbuilding Industries Act 1977 and that the privatisation of British Shipbuilders, in whole or in part, should be deferred.
2. Invited the Secretary of State for Industry to announce their decision in a Written Answer before the Recess and to agree the terms of his announcement with the Chancellor of the Exchequer and the Secretary of State for Trade.

4. THE PRIME MINISTER said that the Lord President of the Council had reported to her that 32 new non-departmental bodies (Quangos) had been set up since the Government began its campaign to reduce their number. While numerically many more quangos had been abolished than created, the aggregate cost of the new ones was higher than the aggregate cost of all those that had been abolished. The pressure to reduce the number of quangos should be maintained, and each Minister should satisfy himself that adequate progress was being made in the areas for which he was responsible.

The Cabinet -

Took note.

Cabinet Office

7 August 1980

DEPARTMENTAL
BODIES (QUANGOS)
reference:
26th
discussions
page 5