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CC(87) 15th
Conclusions

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CABINET

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

THURSDAY 23 APRIL 1987

at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Viscount Whitelaw
Lord President of the Council

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon Douglas Hurd MP
Secretary of State for the Home Department

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon John Biffen MP
Lord Privy Seal

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

The Rt Hon Norman Tebbit MP
Chancellor of the Duchy of Lancaster

The Rt Hon Tom King MP
Secretary of State for Northern Ireland

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

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment

The Rt Hon Lord Young of Graffham
Secretary of State for Employment

The Rt Hon Kenneth Baker MP
Secretary of State for Education and Science

The Rt Hon John MacGregor MP
Chief Secretary, Treasury

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry

The Rt Hon John Moore MP
Secretary of State for Transport

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

The Rt Hon Baroness Young
Minister of State, Foreign and
Commonwealth Office

The Rt Hon John Stanley MP
Minister of State for the Armed Forces,
Ministry of Defence (Item 5)

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SECRETARIAT

Sir Robert Armstrong
Mr D F Williamson (Items 3 and 4)
Mr C L G Mallaby (Items 2-4)
Mr A J Langdon (Items 1 and 2)
Mr G Monger (Item 5)
Mr S S Mundy (Items 1 and 2)
Mr A Wells Item 5)

C O N T E N T S

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PARLIAMENTARY
AFFAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

Rolls Royce

THE PRIME MINISTER, summing up a short discussion, said that it had been irresponsible of the Opposition to select Rolls Royce for debate on the Opposition Day on Tuesday 28 April since it was obvious that the Government would be unable to make any substantive comment about the company's prospects in view of its imminent flotation.

The Cabinet -

Took note.

HOME
AFFAIRS

Teachers'
Pay and
Conditions

Previous
Reference:
CC(87) 7.1

2. THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that media reports of the extent of industrial action by teachers had been exaggerated. One per cent of schools had been affected during the period of industrial action immediately before Easter and over the period of industrial action as a whole two-thirds of teachers in the areas affected had continued working normally. The unions intended to continue taking sporadic action from Monday 27 April, though they were expected to bring any disruption to a halt in the event of a General Election being called. It was clear that many teachers felt aggrieved by the removal of their negotiating rights. Their feelings had been whipped up by the teachers' unions, for whom the negotiation of pay and conditions was the only reason for existence. He had taken every opportunity to set out the Government's position. He would use the debate on the Order on teachers' pay and conditions, which was likely to take place the following month, to restate it in detail and would inform colleagues in advance of what he proposed to say. He had emphasised that the interim arrangements for the settlement of teachers' pay and conditions had been made necessary by the manifest failure of the previous negotiating machinery, which had delivered a negotiated settlement in only four of the previous twelve years. The present arrangements were indeed only temporary and the Government were intent on establishing permanent machinery for the determination of pay and conditions. The willingness of local education authorities to enforce teachers' contracts would remain a key issue. The teachers' unions and others had complained to the International Labour Organisation (ILO) about the removal of negotiating rights. The Paymaster General had recently written to colleagues proposing that the Government's response should be issued in time for it to be considered at the ILO's meeting in November rather than at their forthcoming meeting in May.

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Industrial
Action in
the Civil
Service

Previous
Reference:
CC(87) 14.2

THE SECRETARY OF STATE FOR EMPLOYMENT, reporting on the industrial action being taken by members of the Society of Public and Civil Servants and the Civil and Public Servants Association employed in Department of Employment offices, said that about 50,000-60,000 persons in Scotland had been paid benefit late as a result of the industrial action there, but that all these arrears would probably have been cleared. Industrial action in the current week was targeted on Yorkshire and Humberside and the North-East. In Yorkshire and Humberside it had been supported by fewer than one-half of those who had been called out on strike, though the figures were somewhat higher for the North-East region. He hoped that it would not affect the unemployment benefit count for April, to be published on 14 May. There was as yet no end in sight to the present industrial action.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the industrial action in the North-East region was being supported by more than 70 per cent of Department of Health and Social Security staff in the targeted offices. Action expected to be taken by staff at the Newcastle Central Office that day would affect claims for retirement pensions and child benefit. This should cause little or no inconvenience, either immediately or in the long-term, since order books were issued three weeks in advance. When the rolling programme of industrial action reached London and the South-East region, the National Unemployment Benefit System computer at Reading could be put at risk.

Prisons

THE HOME SECRETARY said that a number of matters concerning prisons were likely to attract public attention in the following few weeks. The Home Affairs Select Committee Report on the State and Use of Prisons (HC 35 - 1) was being published that day. The prison population projections would be published the following day. The police were mounting a campaign against the use of police cells for remand prisoners: on the previous night, 299 prisoners had had to be accommodated in police cells. The Prison Officers' Association ballot on the Government's Fresh Start proposals would take place during the week beginning 4 May; there seemed to be a fair prospect of a favourable outcome. In general, he was able to report a reasonably satisfactory position in what was inevitably a difficult situation.

Her Majesty's
Inspectors'
Report on
Education
in Brent

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that Her Majesty's Inspectors' report on education in Brent would be published the following day. It revealed an appalling situation: despite one of the highest levels of expenditure per pupil in the country and one of the lowest teacher/pupil ratios, pupils were being sent home over disputes about cover. The report was a vivid illustration of the need for many of the measures that he proposed to bring forward in his Education Bill in the following Session. He would make arrangements for it to be given full publicity.

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The Cabinet -

Took note.

Northern
Ireland

Previous
Reference:
CC(86) 31.3

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that he had attended in Belfast the first meeting since the change of Government in the Republic of Ireland of the Intergovernmental Conference established under the Anglo-Irish Agreement of 1985. In contrast to some earlier meetings of the Conference, the protests in Belfast had not been significant. The meeting had gone well. The new Ministers of Foreign Affairs and of Justice in the Republic had adopted a helpful approach. There were signs that progress might be made in co-operation in the field of security. There had recently been three finds of explosives by the Royal Ulster Constabulary (RUC) and the Garda Siochana. The terrorist activity of the Provisional Irish Republican Army (PIRA) was increasing, partly because Provisional Sinn Fein had lost political credibility in the Irish elections, and the republican movement evidently felt the need to demonstrate that it remained active in terrorism as well as in the political field. In Northern Ireland, the marches at Easter, notably the sensitive Protestant one at Portadown, had been the least troublesome for some years. The RUC were handling the situation competently.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Arms Control

Previous
Reference:
CC(87) 8.3

3. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (Baroness Young) said that the Foreign and Commonwealth Secretary had attended a meeting of the North Atlantic Council on 16 April at which the United States Secretary of State, Mr George Shultz, had outlined various options for next steps in nuclear arms control following his visit to the Soviet Union. Specialists from the allied countries would now consider the way ahead, notably the question of how shorter range intermediate nuclear forces should be covered in an arms control agreement eliminating longer range intermediate nuclear forces in Europe. The matter deserved careful thought and full consultation. It was essential to maintain cohesion among the Allies. The United States was likely to wish the decisions reached by the Allies to be conveyed to the Soviet Union in about the third week of May.

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Argentina

Previous

Reference:
CC(86) 38.3

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that there had been revolts in two army units in Argentina at Easter and a third one on 21 April. All three revolts had ended without bloodshed and with the rebels surrendering to the authorities. The President, Dr Raul Alfonsin, had had to intervene personally to achieve this outcome. He had made certain concessions, the extent of which was not yet clear. The Army Chief of Staff had been replaced. It was possible that some officers charged with human rights abuses might be treated more leniently than had been intended. There had been considerable public support for President Alfonsin and for democracy during these events.

Sri Lanka

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that there had been three major terrorist incidents in Sri Lanka in the past week. In the first, on 17 April, 127 civilians and off-duty servicemen had been killed. In the second, on 20 April, 15 civilians had been killed. On 21 April, a bomb at the main bus station in Colombo had killed up to 150 people and injured at least as many. There had been no British or European casualties in these incidents. The Tamil militant organisation known as the Tamil Tigers had denied responsibility for these incidents, but was probably the culprit. British citizens were being advised not to travel to Sri Lanka unless this was essential. The reaction of the Sri Lankan Government to these attacks had been responsible. Some successes had been achieved in preventing inter-communal violence. But in response to political pressure for counter action, a military offensive against the Tamil Tigers had begun in the north of Sri Lanka. The end to the ceasefire in Sri Lanka meant that the peace process sponsored by India was unlikely to resume in the near future. The effect of these events on the question of Tamils wishing to remain in Britain was uncertain.

Spring

Meetings of
the

International
Monetary Fund
and the
World Bank

THE CHANCELLOR OF THE EXCHEQUER said that he had visited Washington before Easter for the spring meetings of the Interim Committee of the International Monetary Fund (IMF) and the Development Committee of the World Bank, as well as meetings of the Finance Ministers of the Group of Five (the United States, the United Kingdom, France, the Federal Republic of Germany and Japan) and the Group of Seven (the five with Canada and Italy). It appeared that the problem of Italy's sensitivities about the work of the Group of Five had been overcome. The Ministers had agreed to maintain the Louvre accord of February 1987 on the stabilisation of international currencies. Pressure had been exerted on Japan and as a result two points had been recorded in the Communique on the meeting of the Group of Seven: that Japan undertook to introduce further measures to stimulate domestic demand and that Japan reaffirmed its commitment to open up its market to imports of goods and services. Following discussion of exchange rates, the yen had

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increased in value, and this seemed to have had the effect of calming international exchange markets. The pound was firm and relatively stable, although the dollar remained somewhat vulnerable. During the meetings in Washington he had put forward a new British initiative to alleviate the debt problems of the poorest countries of Sub-Saharan Africa. Most of the debt of these countries was owed to government agencies rather than banks. The three points in the British proposal were that certain aid loans should be converted to grants, that there should be generous rescheduling arrangements including extended grace periods and that interest rates on rescheduled debt should be low. This proposal was subject to two important conditions: that all the creditor countries would participate in the scheme and that the Sub-Saharan countries concerned would follow prudent and sensible economic policies. The response to the British proposal had been good, not only from the Sub-Saharan countries themselves but also from the United States which, in the past, had been wary of ideas of this kind. The British proposal might be discussed at the Economic Summit meeting in Venice in June. He had put forward the British plan before France had had the opportunity to advance its rival plan on the same matter. The French plan was similar in some ways to the British but presented disadvantages, for instance that it would distort certain lending facilities of the IMF. If the British plan was adopted, there would be some effect on the timing of public expenditure outgoings in Britain, but it would not be severed.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Turkish
Application
for
Membership

4. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (Baroness Young) said that Turkey had now presented a formal application for membership of the European Communities. It was expected that the application would next be referred to the Commission for an opinion. This would take time, as the potential cost was significant and the issues difficult.

Single
European
Act

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (Baroness Young) said that, as a result of a decision in its Supreme Court, the Republic of Ireland could not now ratify the Single European Act without a favourable result in a referendum. In discussion, it was said that the Irish Government was very concerned about the situation which had arisen on the Single European Act and would be holding a referendum on 26 May. All the main political parties were in favour of ratification. There was, however, some concern about opening up public debate on the question of Irish neutrality.

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The Cabinet -

Took note.

PAY REVIEW
BODY REPORTS
1987

5. The Cabinet considered a note by the Secretary of the Cabinet (C(87)7) about the recommendations of the Pay Review Bodies.

THE CHANCELLOR OF THE EXCHEQUER said that the paper was the outcome of a discussion among Ministers directly concerned with the Review Body reports. The Review Bodies had recommended some very expensive increases, especially for the National Health Service (NHS) groups, and most of all for the nurses, who would get an average increase of 9.5 per cent. Ministers had considered whether in order to reduce the cost in 1987-88 to recommend deferment of implementation of the recommendations, but on balance had reached the view that, except in the case of the Top Salaries Review Body (TSRB) report, the recommendations should be accepted in full, from the due date, 1 April 1987. In the case of the TSRB groups, a special problem was created by the link with the Civil Service pay negotiations. The offer made to most civil servants provided, for the grades immediately below the TSRB groups, an increase of 4.25 per cent from 1 April. There would also be further special increases raising the cost of the offer to 5.2 per cent over the whole year, but these would not come into payment until later in the year. Ministers had therefore concluded that the TSRB award should be staged to reflect this offer, with 4.25 per cent paid from 1 April, and the remainder from 1 October.

As to financing, there was no problem with the TSRB award. In the case of the award by the Armed Forces Pay Review Body, the Secretary of State for Defence had indicated that he would be prepared to absorb the full cost in 1987-88 within his current allocation. He had discussed the financing of the awards for the NHS groups with the Secretary of State for Social Services. The cost of these awards was £426 million in excess of the current provision for pay increases for the Review Body groups. He and the Secretary of State had agreed, subject to confirmation by colleagues, that the NHS should provide £30 million of this. On the normal formula basis, this would mean a contribution of £24 million from England, £3 million from Scotland, £2 million from Wales and £1 million from Northern Ireland. The remaining £396 million would come from the Reserve. This was a large sum, and would considerably reduce the scope for agreeing to other calls on the Reserve.

The proposal was that the Cabinet's decision should be announced in a Written Answer by the Prime Minister that afternoon. A draft of this Answer was attached to C(87)7, but he and the Secretary of State for Social Services were still discussing the presentation of the decision on NHS financing.

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In discussion the following main points were made -

- a. The substantial increase agreed for the nurses would raise morale in the NHS, and ease problems of recruitment and retention. The case for the increases recommended for doctors and dentists was much less clear; but it would be difficult to seek to differentiate between the nurses on the one hand and doctors and dentists on the other hand.
- b. The phasing suggested for the TSRB award might cause some resentment in the Civil Service and would produce only marginal saving. But the phasing was not proposed for the purpose of reducing the cost: if the top grades of the Civil Service were to be paid the full award from 1 April, there could well be a sense of grievance among those below them, who would be getting less, and the management of the Civil Service pay offers would be made more difficult.
- c. It would be alleged that the Government had decided to approve these expensive awards because of the imminence of a General Election. It would be important to take the line that the sums involved could be afforded only because of the Government's prudent management of the economy.
- d. The TSRB report on parliamentary secretarial allowances could not, for printing reasons, be published until the following week. Meanwhile, it was right to make no reference to it in the statement.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the proposals set out in C(87)7, and the method of financing described by the Chancellor of the Exchequer. She would announce this decision by Written Answer that afternoon. The Answer would be along the lines of the draft attached to C(87)7, subject to the further discussions between the Chancellor of the Exchequer and the Secretary of State for Social Services, the outcome of which should be reported to her as soon as possible.

The Cabinet -

Took note that the Prime Minister would announce the Government's decisions accordingly, as recommended in C(87)7.

Cabinet Office

23 April 1987

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