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CABINET

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

THURSDAY 14 MAY 1987

at 10.00 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 Lord Hailsham of St Marylebone
Lord Chancellor

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs

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

The Rt Hon Peter Walker MP
Secretary of State for Energy

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 Kenneth Clarke QC MP
Paymaster General

The Rt Hon John MacGregor MP
Chief Secretary, Treasury

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

The Rt Hon John Moore MP
Secretary of State for Transport

ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

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SECRETARIAT

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

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PARLIAMENTARY
AFFAIRS

1. THE PRIME MINISTER said that a slight difficulty had arisen in the House of Commons because there would be no Prorogation before the Dissolution of Parliament on 18 May. On previous occasions when Parliament had been prorogued before being dissolved, the Prorogation ceremony had provided an occasion after which those members of the House of Commons who were not standing for re-election could formally take leave of the Speaker. The Speaker himself, encouraged by some such Members, had publicly expressed his regret at the decision to dispense with Prorogation on this occasion, and had been ostentatiously looking for other opportunities of saying farewell to Members who were not standing for re-election. The decision to dispense with prorogation was in fact practical and sensible, and followed the three most recent precedents (1983, 1979 and Autumn 1974)

THE HOME SECRETARY said that the Criminal Justice Bill would be one of the main measures lost by the Dissolution. The only major part of the Bill that it would be realistic to take to Royal Assent in the present Parliament were the provisions establishing a Serious Fraud Office, and that had been successfully negotiated. The Immigration (Carriers' Liability) Bill had been enacted without any concessions.

THE CHIEF SECRETARY, TREASURY, said that the negotiations with the Opposition on the Finance Bill had been very satisfactory. The main provisions that had been dropped had been those on personal pensions and profit-related pay, and some of those relating to Capital Gains Tax. The Government had given a commitment to reintroduce all these measures in the next Finance Bill in the new Parliament, and had made it clear that discussions would continue about the appropriate form of the provisions on Lloyd's, which had also been dropped from the Finance Bill.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the Opposition had agreed to facilitate the passage of two financial components of the Local Government Bill. These were the regulation of the creative accounting devices known as advance and deferred purchasing, and the confirmation of education pooling arrangements. The parts of the Bill that had been lost related to improvements in the operation of the Land Register and the regulation of ostensible schemes of local authority assistance to private sector housing projects. It was important to maintain control on the latter point, which represented a significant creative accounting loophole, but there should be no problem about that since he had made it clear that his proposed controls would operate retrospectively to the date of their announcement. The Orders designating the four new Urban Development Corporation areas at Teesside, Tyne and Wear, the Black Country, and Manchester, Trafford had not been opposed, and he had great hopes for the success of this important part of the Government's urban policies.

THE LORD PRESIDENT OF THE COUNCIL said that the Channel Tunnel Bill seemed bound to cause some timetable problems in the new Parliament. Although there was no difficulty about the procedural arrangements to

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carry the Bill over between Parliaments, he could not at present see that it would be possible for the Bill to be completed in the House of Lords until about 23 July.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet would wish to congratulate the business managers in both Houses for ensuring the passage of so much of the Government's legislation, both in the present Session and throughout the Parliament. This had been an outstandingly successful achievement and she would circulate to Cabinet members a list of the major Bills that had been enacted in the Parliament now ending. The Government would make clear their firm intention of enacting as soon as possible those provisions that it had now been necessary to drop. The line to be taken on the provisions relating to Lloyd's was that the Government would consider with interested parties the revised form in which those provisions should be brought back, and the Chief Secretary, Treasury should urgently prepare an appropriate form of words and associated guidance.

The Cabinet

1. Took note, with approval, of the Prime Minister's summing up of the discussion and invited the Chief Secretary, Treasury to be guided accordingly.
2. Congratulated the business managers in both Houses upon the successful handling of the Government's legislation throughout the Parliament.

HOME AFFAIRS

Airbus A330
and A340
Projects

2. THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the Government had been in prolonged negotiation with British Aerospace over their request for £750 million launch aid for the Airbus A330 and A340 projects. After discussion with the Prime Minister and other Ministers closely concerned, he now proposed that launch aid of £450 million should be offered, subject to the Government securing a real rate of return through levies on sales of the aircraft. Subject to the agreement of the Cabinet, he proposed to announce these decisions in the House of Commons that afternoon. A joint press conference with British Aerospace would be held immediately after his statement. Assuming that the German and French partners in the Airbus consortium also confirmed their intention to give support, the final decision to go ahead with the projects, would be announced during the Paris Air Show starting on 11 June.

THE PRIME MINISTER, summing up a short discussion, said that the Cabinet agreed with the recommendations of the Secretary of State for Trade and Industry. His statement would require careful drafting, especially on the matter of a real rate of return, and he should agree the forms of words to be used on that point with the Chief Secretary, Treasury.

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The Cabinet -

1. Agreed that £450 million launch aid should be offered to British Aerospace for the Airbus A330 and A340 projects, subject to the conditions that the Secretary of State for Trade and Industry had indicated.
2. Invited the Secretary of State for Trade and Industry to announce the decision in a statement in the House of Commons that afternoon, the text of which should be agreed in advance with the Chief Secretary, Treasury.

Industrial
Action by
Teachers

Previous
Reference:
CC(87) 15.2

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the series of half-day strikes called by the National Union of Teachers and the National Association of Schoolmasters/Union of Women Teachers in ten areas in recent weeks had attracted no more than local press interest and had been a failure from the unions' point of view. It now seemed probable that the two unions were about to call off the protest against the removal of their negotiating rights. His assessment was that the action would cease at about the end of the following week, and that the teachers were unlikely to resume it after the General Election. This was very good news for the Government, though he thought it would be a mistake to be seen to be taking pleasure in the teachers' discomfiture. He believed, rather, that the best line would be to recognise that most teachers had never wished to damage their pupils' interests. He would circulate advice to his colleagues accordingly.

Unemployment

Previous
Reference:
CC(87) 11.2

THE SECRETARY OF STATE FOR EMPLOYMENT said that he would later that day announce the unemployment figures for April. The unadjusted figure had fallen by 36,000 since March and 218,000 since April 1986. The seasonally adjusted figure had fallen by 20,000 since March and 177,000 since April 1986 and had now fallen in each of the previous 10 months. The number of vacancies had risen by 3,000 in April. Unemployment had fallen in April in every region in Great Britain except Scotland, where the figures had been inflated by some 4,000-5,000 in consequence to industrial action by civil servants in Scotland. There had been a determined effort by the Opposition parties to discredit the unemployment figures. In fact, the unemployment figures overstated the number of people out of work, especially in the South. He would arrange for a response to a misleading article about the unemployment figures which had appeared in that day's edition of The Daily Telegraph.

Housing
Benefit

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that, following the decision taken in the Ministerial Steering Committee on Economic Strategy, Sub-Committee on Local Government Finance the previous day, he had agreed with the Chief Secretary, Treasury the form of words that should be used in announcing the publication of the draft Housing Benefit Regulations that would take effect in April 1988. The draft Regulations would be published the following day.

Prisons

THE HOME SECRETARY said that the Prison Officers' Association would announce that day the result of their ballot on the Government's Fresh Start proposals. It would show a large majority in favour of the Government's proposals. This transformed the industrial relations situation in the prison service, and was a good foundation on which to build for the future.

Previous
Reference:
CC(87) 15.2

The Cabinet

3. Took note.

Northern
Ireland

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that eight members of the Provisional Irish Republican Army (PIRA) who had blown up a police station at Loughall on 8 May had been killed in an exchange of fire with the security forces. This was a major blow to PIRA following a period when they had succeeded in carrying out a number of attacks. Regrettably, one civilian had been killed and another seriously injured in the exchange of fire. That apart, the operation had been wholly successful. The Royal Ulster Constabulary had established that the weapons recovered from the terrorists had been used in each of the murders and attempted murders which had been carried out by terrorists in Fermanagh and South Tyrone in the previous year, as well as in incidents elsewhere in the Province. It was clear that the terrorists who had been killed were dangerous and experienced members of the Active Service Units of PIRA. Responsible members of the nationalist community, including Mr Seamus Mallon MP, had accepted that their attack on the police station had been a blatantly offensive act. The Government of the Irish Republic had also reacted very responsibly. The Foreign Minister, Mr Brian Lenihan, had made an admirable speech attacking the PIRA's tactics as futile and immoral. Great credit was due to the security forces on the successful outcome of the operation. It would be vital to remain vigilant to guard against possible PIRA reprisals.

Previous
Reference:
CC(87) 16.2

THE PRIME MINISTER said that the Cabinet would wish to congratulate the Secretary of State for Northern Ireland on a very successful counter-terrorist operation and on his management of affairs in the Province during the recent very difficult period.

The Cabinet -

4. Endorsed the Prime Minister's remarks and extended their congratulations to the Secretary of State for Northern Ireland.

FOREIGN
AFFAIRS

Fiji

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been a military coup the previous day in Fiji led by Lt Col Sitiveni Rabuka, third in command of the Armed Forces. About twenty members of the Armed Forces had stormed the Parliament and had seized the Prime Minister and members of his Cabinet. The Armed Forces were composed mainly of Fijians whereas the ruling party, which had come to office following the election the previous month, was made up mostly of Indians, although it was led by a Fijian. Lt Col Rabuka had claimed that he had succeeded in overthrowing the Government. The Governor General had issued a statement emphasising that the take-over was unlawful and that he would continue to uphold the Constitution. There were no reports of injury to any of the 400 British citizens in Fiji.

Ministerial
Council of
the
Organisation
for Economic
Co-operation
and
Development

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Ministerial Council of the Organisation for Economic Co-operation and Development (OECD) had met on 12 and 13 May. OECD was a useful organisation, especially under its present leadership. The meeting had been used successfully to strengthen the commitment of member governments to reform of agricultural support policies. There had been less dissent on this subject than had been expected; and the language on agriculture in the meeting's communiqué would provide a good basis for further progress at the Seven Power Economic Summit the following month. The Ministerial Council had also provided an opportunity for him to advocate the proposals on the alleviation of the debt problems of the poorest countries in Sub-Saharan Africa which the Chancellor of the Exchequer had recently put forward. There had been helpful pressure at the Ministerial Council for a positive approach to the Uruguay round of trade negotiations under the General Agreement on Tariffs and Trade. Discussion of the macro-economic policies of the major economic powers had been inconclusive. In the margins of the meeting he had had a bilateral discussion with the Foreign Minister of Japan, Mr Tadashi Kuranari, when he had pressed the United Kingdom's general case for fair trading practices on the part of Japan as well as the British position on the specific matters at issue in this field between the two countries. The pressure on Japan must be maintained.

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Arms Control
Previous
Reference
CC(87) 17.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that differences persisted in the coalition government of the Federal Republic of Germany about the means of covering shorter range intermediate nuclear forces in an arms control agreement between the Soviet Union and the United States on intermediate nuclear forces. The Federal German Foreign Minister, Herr Hans-Dietrich Genscher, who belonged to the Free Democratic Party, had just been advocating one position during a visit to Washington while the Foreign and Defence Spokesman of the Christian Democratic Union in the Bundestag, Herr Volker Ruehe, had been urging a different one during a visit to London. Her Majesty's Government would soon need to make its own position clear on this difficult issue of policy. It was not certain that the allies would reach a united position in time for the Ministerial meeting of the North Atlantic Council on 11 and 12 June.

The Cabinet -

Took note.

EDUCATION
POLICY

4. The Cabinet considered a memorandum by the Secretary of State for Education and Science (C(87) 9) seeking authority to prepare legislation on three proposals for inclusion in the Education Bill to be introduced in the autumn.

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the Manifesto would include proposals to enable schools to opt out of management by local education authorities (LEAs) and become direct grant schools funded by central Government. He proposed that schools should be able to apply to opt out on the initiative of their governing bodies, with the agreement of a majority of parents. Opted out schools would receive grants from the Department of Education and Science under a contract with each school. They would be substantially self-managed and employ their own staff. They would be encouraged to apply for charitable status. Further work was needed on the resource implications, but the principles were that opted out schools should not be penalised in terms of resources compared with other similar schools remaining under LEA control in the area; and that the funding arrangements should ensure financial neutrality between central and local taxpayers.

Secondly, he proposed that there should be financial delegation to Further Education (FE) colleges, broadly along the lines already announced for schools. The arguments were much the same in the two cases, in particular the need to give the bodies concerned greater freedom of management, and to make them more responsive to the needs of industry. This would be no more than a logical extension of the policy to which the Government was already committed. He also proposed to use the opportunity to bring the law on FE colleges up to date.

Thirdly, he proposed legislation to restrain the activities of bogus degree operators. Such legislation would be generally welcomed for dealing with an obvious abuse.

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In discussion, the following main points were made -

a. The proposals for opting out would be widely welcomed for allowing schools to escape from doctrinaire local government control. But much of the detail remained to be worked out. This applied in particular to the opting out procedure and to the precise financial arrangements described in principle in C(87) 9.

b. The Government also needed to decide how opting out would affect the arrangements for helping pupils with the cost of transport to schools. This question could become important since popular schools were likely to attract pupils from a wider area than before, and these pupils would therefore incur higher transport costs. It would not be right for the taxpayer to meet all transport costs, although the arrangements for existing pupils would need to be protected. This needed further thought and work.

c. There would be questions in the Election campaign about the Government's intention on such matters on the possibility of opting back in; the effect on teachers' pension funds; and the position of the smaller primary schools, especially those in rural areas. These would be dealt with in briefing notes which the Secretary of State for Education and Science would provide. Generally, however, the line to take must be that the detail had still to be decided and would be contained in the Education Bill to be put before Parliament.

d. Similarly, the detail of the proposal on FE colleges had not been discussed with other Departments and still had to be worked out. One important point to be considered further was the composition of the governing bodies. The present proposals apparently allowed for only a minority of outsiders. The Government should also consider further the position on tenure, and whether more could be done to increase the responsiveness of the FE colleges to commercial needs. Most importantly, the resource implications of the proposals were not clear.

e. While it was true that the provision of bogus degrees was an obvious abuse, the arrangements proposed for restraining it would on the face of it have significant resource implications. There could also be implications for the work of the courts, and the powerful interest involved in the University world would require careful handling.

f. On a separate point, a paper circulated for clearance by the Ministerial Steering Committee on Home and Social Affairs (H(87) 20) proposed an extension of the powers of the Secondary Examinations Council (SEC), especially in relation to the General Certificate of Secondary Education Examining Groups, that could prove very controversial.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed in principle the proposals by the Secretary of State for Education and Science on opting out, and the necessary drafting could now proceed. But important questions of implementation remained to be settled and would need to be discussed after the Election in the normal way. Meanwhile, nothing should be said to prejudge them. The Cabinet saw a case for the proposals on FE colleges but again several important questions remained to be settled and further discussion would be necessary before decisions could be taken. The proposals on bogus degrees had not at that stage been accepted, and a further paper should be brought forward in due course. Finally, the proposals in H(87) 20 as to the powers of the SEC raised difficulties and could not be cleared without discussion.

The Cabinet -

1. Agreed that drafting should proceed on the proposals by the Secretary of State for Education and Science on opting out, subject to the points made in discussion, and to further discussion of detailed questions of implementation after the Election.
2. Agreed that no decision could be taken at this time on the Secretary of State's proposals for financial delegation to Colleges of Further Education, or on his proposals for legislation to deal with the abuse of bogus degrees, or on his proposals to the Ministerial Steering Committee on Home Affairs for extending the powers of the Secondary Examinations Council.

ENVOI

5. THE PRIME MINISTER said that, as this was likely to be the last meeting of the Cabinet during the present Parliament, she would like to express her gratitude to her colleagues for the marvellous record of hard work and results achieved by members of the Government during the Parliament. It was her hope that they would be returned to office as a result of the General Election, so that they could carry forward their work together and build further on what had already been achieved.

THE LORD CHANCELLOR said that he believed that he would be speaking for all his colleagues in congratulating the Prime Minister on the achievements of her Administrations since 1979, and in thanking her for the leadership she had given. There could be no doubt that it had changed the face of British politics.

The Cabinet -

1. Warmly endorsed the Lord Chancellor's remarks.

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THE PRIME MINISTER said that her colleagues would wish also to express their gratitude to the Secretary of the Cabinet and his colleagues in the Cabinet Office for the unfailingly businesslike, timely and effective service which they provided for the Cabinet and Cabinet Committees, and their appreciation of the briefing which the Cabinet Office provided for the Prime Minister and Ministers who took the chair at meetings of Cabinet Committees.

The Cabinet -

Instructed the Secretary of the Cabinet to record the Prime Minister's statement, and their endorsement of it, in the minutes.

Cabinet Office

14 May 1987

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