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Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 17 DECEMBER 1987
at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

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

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 Peter Walker MP
Secretary of State for Wales

The Rt Hon George Younger MP
Secretary of State for Defence

The Rt Hon Norman Fowler MP
Secretary of State for Employment

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

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

The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry

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

The Rt Hon Kenneth Clarke QC MP
Chancellor of the Duchy of Lancaster

The Rt Hon John MacGregor MP
Minister of Agriculture, Fisheries and Food

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

The Rt Hon Paul Channon MP
Secretary of State for Transport

The Rt Hon John Moore MP
Secretary of State for Social Services

The Rt Hon John Wakeham MP
Lord Privy Seal

The Rt Hon Cecil Parkinson MP
Secretary of State for Energy

The Rt Hon John Major MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon David Waddington QC MP
Parliamentary Secretary, Treasury

The Hon Peter Brooke MP
Paymaster General

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SECRETARIAT

Sir Robert Armstrong
Mr C L G Mallaby (Items 4 - 6)
Mr R G Lavelle (Items 4 - 6)
Mr A J Langdon (Items 2 and 3)
Mr S S Mundy (Items 2 and 3)

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ILLNESS OF
THE LORD
PRESIDENT OF
THE COUNCIL

1. THE PRIME MINISTER said that the Cabinet would be relieved to know that the Lord President of the Council was in excellent spirits and was making a good recovery after being taken ill earlier that week. She invited the Cabinet to join her in sending him a card conveying their affection and best wishes.

PARLIAMENTARY
AFFAIRS

2. The Cabinet were informed of the business to be taken in the House of Commons in the week following their return from the Christmas Adjournment on Monday 11 January.

Protection of
Official
Information
Bill

THE HOME SECRETARY said that he had spoken several times, most recently the previous Tuesday, to Mr Richard Shepherd MP about his Protection of Official Information Bill which was due to have its second reading in the House of Commons on 15 January. He had emphasised the firm commitment that underlay the announcement that week of the Government's intention to publish a White Paper setting out proposals for the replacement of Section 1 of the Official Secrets Act 1911, with a view to early legislation. It was clear that a matter so close to the heart of Government could not be allowed to go into Committee in the hands of a Private Member, and he had left Mr Shepherd in no doubt on that point. Any difficulties of denying the Bill a Second Reading were far outweighed by the dangers of allowing the Bill to proceed.

Public Service
Pensions

THE CHANCELLOR OF THE EXCHEQUER said that the Paymaster General would announce the following day, by means of a Written Answer, that the Government would not be making payments to members of public sector pensions schemes which it administered to compensate them for the small error which had recently come to light in the calculation of the Retail Price Index (RPI). Compensation would have required computations to be made of the sums owed to each beneficiary, according to their individual circumstances, and the total cost of this exercise, which would have far outweighed the total amount of benefits which would have been paid out, would have been prohibitively expensive. It was proposed instead to make the sum concerned available to suitable charities, including the main public service benevolent associations active in support of retired or needy members of the public services, and the Exchequer would therefore not derive any benefit from the error in the calculation of the RPI.

In discussion, it was suggested that it would be helpful in the interests of heading off possible criticism, for the Written Answer to give a clear explanation why compensation to public service pensioners would not be feasible.

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The Cabinet -

Took note.

HOME AFFAIRS

Prisons

Previous

Reference:

CC(87) 30.3

THE HOME SECRETARY said that the Prison Officers' Association (POA) were balloting their members on the possibility of industrial action in protest against the Government's plans for increasing the use of civilian staff in the prison service. This was part of a sustained campaign by a faction within the national executive of the POA, including its chairman, of opposition to the new Fresh Start working arrangements. The best estimate was that there would be a small majority in favour of industrial action. He thought that, in that event, the POA would seek to re-open discussions with the Home Office about the use of civilian staff in prisons. The Government would need to stand firm against any pressure of this kind from the POA. The Parliamentary Under Secretary of State, Home Office (the Earl of Caithness) had made a very effective presentation of the Government's position on that morning's 'Today' programme on BBC Radio 4.

Applications
by Tamils for
Political
Asylum

Previous

Reference:

CC(87) 30.4

THE HOME SECRETARY said that the House of Lords had ruled the previous day in favour of the Government in an appeal hearing in connection with applications by six Tamils for political asylum in this country. This was a very welcome decision. He would now proceed, as quickly as possible, to review individually each of the applications by Tamils who had come to this country seeking political asylum.

Unemployment

Previous

Reference:

CC(87) 32.2

THE SECRETARY OF STATE FOR EMPLOYMENT said that the unemployment figures for November would be published that day. The seasonally adjusted total had fallen by about 63,500 since October to about 2,649,000; this total had now fallen for each of the previous 17 months. Over the previous 12 months there had been the largest sustained reduction of unemployment since records had been kept, with unemployment having fallen by 300,000 over the previous six months. Unemployment stood at 9.5 per cent of the working population and was now at the lowest level since 1982. Unemployment had fallen in all regions, with the largest reductions occurring in Wales, the West Midlands and the North West. Unemployment among school leavers was 29 per cent below that in November 1986 and represented the lowest November total since 1979. Unfilled vacancies at job centres stood at the highest level on record; this underscored the strong growth which had been taking place in the economy. The only

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point of concern was that the annual increase in average earnings had risen from 7³/₄ per cent to 8 per cent. Aside from that, the overall position was extremely encouraging.

A recent exercise by Department of Employment fraud investigators in a number of south coast towns had indicated that more than one quarter of persons claiming unemployment benefits had simultaneously been at work. This supported other evidence that the 'black economy' was well developed in many areas. Over the following few months he would be giving greater prominence to this, and his Department would be devoting greater efforts to tackling the problem.

THE CHANCELLOR OF THE EXCHEQUER said that unemployment was now below the average of that in other European countries, and the reduction in the rate of unemployment in the United Kingdom was greater than that in any other major European country. This provided further confirmation that the economy was forging ahead vigorously. Although there was likely to be some reduction in the rate of economic growth during the following year, suggestions that the economy was likely to move into recession were manifestly ill-founded. The main point of concern, as the Secretary of State for Employment had indicated, was the recent increase in the growth of average earnings.

THE PRIME MINISTER, summing up a brief discussion, said that it was important to get across to public opinion that the thriving British economy not only brought about higher standards of living but also provided the means by which standards of social services could be raised.

The Cabinet -

1. Took note.

British
Caledonian
Airways

Previous
Reference:
CC(87) 36.2

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that it had come to notice that, following a formal complaint by British Midland Airways, the European Commissioner responsible for competition issues, Commissioner Sutherland, had it in mind to write to British Airways (BA) and British Caledonian Airways (BCal) to inform them that he was currently disposed to think that a merger between them would constitute an abuse of a dominant position under the terms of Article 86 of the Treaty of Rome. This action would create an explosive situation, especially in view of the Monopolies and Mergers Commission report clearing the proposed BA bid. He had therefore spoken to Commissioner Sutherland, who would only be able to exercise the formal functions of the Commission under Article 86 after the merger was completed, to urge him to refrain from precipitate intervention and, instead, to keep the developing situation under review. Commissioner Sutherland, however, tended to the view that, on the facts and legal advice available to him, there was little doubt about the application of Article 86 to the proposed merger, and that it would create far more trouble if this only

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became apparent at a later stage. Commissioner Sutherland, who was active in the competition area and was promoting a new Community regulation on mergers, stressed that he had been very strongly pressed by British interests, and it had to be accepted that he could not ignore formal complaints that were made to him.

THE PRIME MINISTER, summing up a short discussion, said that the European Commission's intervention in the way that Commissioner Sutherland had in mind would be a most unwelcome development, and the Cabinet endorsed the line that the Secretary of State for Trade and Industry had taken with the Commissioner. It would be appropriate for the Commissioner to be informed that the Secretary of State had the full support of his colleagues on this matter.

The Cabinet -

2. Invited the Secretaries of State for Trade and Industry and for Transport to be guided by the Prime Minister's summing up of the discussion.

FOREIGN
AFFAIRS

United
States/Soviet
Union Summit
Meeting

Previous
Reference;
CC(87) 36.3

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that recent reports from United States and Soviet sources confirmed that the recent meeting in Washington between the President of the United States, Mr Ronald Reagan, and the General Secretary of the Communist Party of the Soviet Union, Mr Mikhail Gorbachev, had been successful. Not only had the agreement on eliminating ground based Intermediate Range Nuclear Weapons (INF) been concluded, but considerable progress had been made towards an agreement on 50 per cent cuts in the strategic nuclear weapons of the United States and the Soviet Union. On the other hand, the Soviet Union had not made significant concessions on human rights, and real progress on the regional problems in various parts of the world was still some way off. Since the Summit meeting, the United States and the Soviet Union had commented sensibly in ways designed to avoid an impression of either euphoria or gloom. The INF agreement was a significant achievement. It was important that the United States Senate should ratify it. The West should maintain pressure on the Soviet Union on human rights and on regional issues, especially Afghanistan; there was a remote possibility of a Soviet move towards withdrawal from Afghanistan.

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Republic of
Korea

Previous
Reference:
CC(87) 22.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the candidate of the Korean Government, Roh Tae Woo, had achieved a clear win in the presidential election in the Republic of Korea on 16 December. He had obtained 37 per cent of the votes in a 90 per cent turnout. As expected, the opposition candidates were challenging the result. If matters were reasonably well handled in Korea, the new President should be able to take over on schedule in late February 1988 without serious disturbance.

Belgium

Previous
Reference:
CC(87) 29.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the general election in Belgium on 13 December had left a confused picture. The Flemish Social Democratic Party led by the Prime Minister, Mr Wilfried Martens, had lost six seats; but the centre right coalition led by Mr Martens could theoretically re-form with a very slender majority in Parliament. The Socialists had, however, become the largest political group in Parliament, and it was likely that a coalition including them would eventually be formed. This could take some weeks.

The Cabinet

Took note.

COMMUNITY
AFFAIRS

Foreign
Affairs
Council
14 December

5. THE FOREIGN AND COMMONWEALTH SECRETARY said that the meeting of the Foreign Affairs Council on 14 December had discussed how the review of future financing would be carried forward during the German Presidency. These plans were now as well in place as could be expected. There had been agreement on the timetable for discussions in the Foreign Affairs Council leading up to the special European Council in February. It was accepted that the general basis of discussion should remain the Presidency text tabled in Copenhagen. The Agriculture Council would have discussions in January on set aside. Permanent Representatives would undertake more detailed work in certain other areas such as the fourth resource. It seemed that within the German Administration, the German Foreign Minister, Herr Genscher, would have responsibility for the preparations as a whole. The Council had finally reached agreement on the regulation covering radioactivity levels in foodstuffs to come into operation in the event of another major nuclear accident. Agreement had also been reached on the EC/Israel adaptation protocols, in the light of an acceptable compromise on implementation by Israel of measures giving occupied territory citrus producers access to EC markets.

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Fisheries
Council
14-16
December

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that at its meeting on 14-16 December the Fisheries Council had after protracted discussion reached a satisfactory agreement on catches and quotas for 1988.

Transport
Council
16 December

THE SECRETARY OF STATE FOR TRANSPORT said that at the meeting of the Transport Council on 16 December the Germans, with the help of the French and Italians, had blocked agreement on road haulage market access. This issue would now have to be considered further during the German Presidency.

The Cabinet -

Took note.

RETIREMENT
OF THE
SECRETARY OF
THE CABINET

6. THE PRIME MINISTER said that the present meeting of the Cabinet was the last which would be attended by the Secretary of the Cabinet, Sir Robert Armstrong, who would retire at the end of 1987. She wished to record her own and the Cabinet's appreciation of Sir Robert Armstrong's eight years of supremely distinguished service as Secretary of the Cabinet, of his outstanding service throughout his career in the Civil Service, and of the excellent service rendered by the Cabinet Office during Sir Robert's stewardship. The Government and the country were fortunate that people entered the Civil Service for whom the highest standards were the only possible standards. Sir Robert himself was an unsurpassable example of this. In his period as Secretary of the Cabinet, he had witnessed and recorded some notable events, among them the Falklands conflict, and some very important legislation. He had played a major role in the negotiation of the Anglo-Irish Agreement. He had given signal service in matters concerning national security. Throughout he had shown the highest dedication, integrity and loyalty. The Cabinet wished him well and its members hoped to maintain contact with him in the future.

THE PRIME MINISTER presented to Sir Robert Armstrong a silver coffee pot, as a gift of the Cabinet in recognition of his distinguished service.

THE SECRETARY OF THE CABINET thanked the Prime Minister for her remarks. He thanked all members of the Cabinet for their kindness and support. It had been a privilege to be Secretary of the Cabinet. He had been the first holder of the position to serve only one Prime Minister. It had been a marvellous and fascinating time, and it had been very exciting and a great pleasure to serve a Cabinet whose policies had (as Lord Hailsham had said at the last meeting of the Cabinet before the recent Election) changed the face of the country.

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The Cabinet -

Recorded its profound gratitude to Sir Robert Armstrong for his outstanding service as Secretary of the Cabinet and extended to him its best wishes for the future.

Cabinet Office

17 December 1987

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