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CC(84) 26th
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held in the Prime Minister's Room, House of Commons, on

THURSDAY 12 JULY 1984

at 10.00 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Lord Hailsham
Lord Chancellor

The Rt Hon Leon Brittan QC MP
Secretary of State for the Home Department

The Rt Hon Sir Keith Joseph MP
Secretary of State for Education and Science

The Rt Hon Peter Walker MP
Secretary of State for Energy

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment

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

The Rt Hon Lord Cockfield
Chancellor of the Duchy of Lancaster

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

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

The Rt Hon Viscount Whitelaw
Lord President of the Council

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 James Prior MP
Secretary of State for Northern Ireland

The Rt Hon Michael Heseltine MP
Secretary of State for Defence

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon John Biffen MP
Lord Privy Seal

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry

The Rt Hon Tom King MP
Secretary of State for Employment

The Rt Hon Peter Rees QC MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

Mr John Gummer MP
Minister of State, Department of Employment

SECRETARIAT

- Sir Robert Armstrong
- Mr P L Gregson (Items 4 and 5)
- Mr D F Williamson (Items 2 and 3)
- Mr B G Cartledge (Items 2 and 3)
- Mr M S Buckley (Items 4 and 5)
- Mr C J S Brearley (Item 1)
- Mr R Watson (Item 1)

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 PARLIAMENTARY AFFAIRS
 Local Government (Interim Provisions) Bill
 Previous Reference: CC(84) 25th Conclusions, Minute 1
 Education in London
 Previous Reference: CC(84) 11th Conclusions, Minute 5

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

THE LORD PRESIDENT OF THE COUNCIL said that the Report Stage of the Local Government (Interim Provisions) Bill was due to be taken in the House of Lords on 16 July. He and the Chief Whip, House of Lords, were doing everything they could to ensure that the Government amendments were carried successfully.

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that, following the Cabinet's decision that education in inner London should become the responsibility of a directly elected inner London education authority when the Greater London Council (GLC) was abolished, the Ministers concerned had been considering the timing of the first elections and associated matters. They had concluded that, in order to effect as smooth a transition as possible to the new authority and to minimise the opportunities for obstruction, the first elections to the new authority should be held in October 1985 and that the members then elected should also from that time replace the members of the existing Inner London Education Authority (ILEA) on that body. Subsequent elections should be held in 1989 and at intervals of four years thereafter. Provision for these matters would be made in the Abolition Bill in the following Session, but a decision was needed urgently in order to deal with amendments which Lord Alport had put down for the Report Stage of the Local Government (Interim Provisions) Bill the following week.

In discussion concern was expressed about the timing of the proposed elections. It was by no means clear that it was sensible, either initially or in the longer term, for elections for the new ILEA to be held at different times from the London borough elections. Furthermore there appeared to be particularly substantial disadvantages in holding the first elections, as proposed, in October 1985. On the other hand, 1 April 1986 had been clearly stated in the White Paper "Streamlining the Cities" as the intended date for the abolition of the GLC, the London borough elections were not due until May 1986 and it was in any case desirable that the members of the new education authority should be in place well before the date of abolition in order to plan the 1986-87 budget, the level of precept and other matters. It was arguable that it would be dangerous to leave these matters in the hands of the existing ILEA or to have to make interim arrangements for the period between the abolition of the GLC and May elections. There would also be substantial difficulties in delaying the date of abolition, even though the decision for a directly elected ILEA had been made since the 1 April 1986 date had been announced. One possibility might be for the non-GLC members of the existing ILEA to

form the new ILEA during the period between abolition and May 1986 elections. On the other hand it was likely that direct elections would produce an ILEA not very different in its political composition from the existing authority. On this view the arguments for bringing the new ILEA elections forward to October 1985 were less strong, and it was for consideration whether the borough elections due to be held in May 1986 might be brought forward to coincide with an election for the new ILEA in March 1986.

THE PRIME MINISTER, summing up the discussion, said that it was not possible to reach an immediate decision. A group of Ministers should meet urgently under the chairmanship of the Lord President of the Council to reach conclusions taking account of the concerns expressed in the discussion.

The Cabinet -

Invited the Home Secretary, the Secretary of State for Education and Science, the Secretary of State for the Environment, the Chief Secretary, Treasury, the Chief Whip, the Attorney General, the Minister of State, Department of the Environment (Lord Bellwin), and the Minister of State, Department of Employment (Mr Gummer), to meet under the chairmanship of the Lord President of the Council to reach decisions on the timing of the first elections for the directly elected inner London education authority and consequential matters.

2. THE FOREIGN AND COMMONWEALTH SECRETARY described the position which had been reached following the attempted abduction from London, on 5 July, of the exiled former Nigerian Minister for Transport, Mr Umaru Dikko. Following intensive police enquiries, four persons had been arrested and were being held in custody. The enquiries had disclosed clear evidence of the involvement in the abduction attempt of members of the Nigerian High Commission. The Nigerian High Commissioner, Major General Hananiya, had been invited to assist the police in their further enquiries and also to allow members of his staff to do so. He had refused. It had therefore been decided to expel from London two members of the Nigerian High Commission staff, a Counsellor and an Attache; they would be required to leave within seven days. The High Commissioner himself had been recalled to Lagos for consultations, and the Foreign and Commonwealth Secretary intended to make it clear, in his statement to Parliament later in the day, that it would be inappropriate for the High Commissioner to return to London. Meanwhile, reactions in Nigeria to the episode had been very strong. The Federal Military Government (FMG) were threatening to take action against the British Government in retaliation for alleged (but non-existent) official United Kingdom involvement in the recent unauthorised departure from Nigeria of an HS 125 aircraft. Recognition that British subjects and interests in Nigeria faced risks of retaliation had guided the manner in which the affair had been handled in London. Shell International and British Petroleum faced the threat of the nationalisation of their Nigerian operations, and it was very possible that the FMG would

also take action against British Caledonian Airways, whose London/Lagos route was its most profitable. The Foreign and Commonwealth Secretary said that in an exchange of messages with the Nigerian Foreign Minister, Mr Gambari, the latter had taken a relatively emollient line, stressing his wish to maintain good relations with the United Kingdom; secret reports, however, indicated that his attitude was unlikely to be well received or endorsed by his colleagues in the FMG. It was relevant that, even before this latest episode, there had been indications of an irrational approach on the part of the FMG to Nigeria's relationship with the United Kingdom. Despite the adverse consequences, it was nevertheless right to go ahead with the course which had been outlined.

In a brief discussion the Foreign and Commonwealth Secretary was congratulated on adopting a position which had made it possible to take tough action against the offenders in London while not making it impossible for the Nigerian Government to react moderately, if they were inclined to do so. It would be important to represent the United Kingdom's reaction to the attempted abduction as part of its general response to such incidents following the episode of the Libyan People's Bureau rather than as action specifically directed against Nigeria. It was pointed out that serious problems were likely to arise in the United Kingdom's trading relationship with Nigeria, although these did not constitute a reason for adopting a different course to that which the Foreign and Commonwealth Secretary had outlined. In addition to officially insured short-term debt to United Kingdom suppliers amounting to £600 million, Nigerian importers also owed about £750 million of uninsured debt: complaints from British industry about the consequences of the Government's justified action were therefore inevitable.

THE FOREIGN AND COMMONWEALTH SECRETARY said that there was no change to report in the war between Iran and Iraq apart from an attack on a Liberian oil tanker on 5 July and a further attack on 10 July, apparently by Iranian aircraft, on a British Petroleum tanker, en route to take off oil from a Swiss-owned tanker damaged in an earlier incident. A strong protest was being made to the Iranian Government.

THE SECRETARY OF STATE FOR DEFENCE said that he had attended a meeting in Madrid on 9 July, with the Defence Ministers of France, Germany, Italy and Spain, to discuss the project for a new European fighter aircraft. He had been authorised by his colleagues to enter into a feasibility study of the project, which would have the objective of establishing whether the operational requirements identified by the Air Staffs of the Allies involved could be met through a collaborative approach. The outcome would depend on a resolution of the conflict of interest between the British aero-engine and airframe manufacturers and their French counterparts. The Madrid meeting had reached agreement on a form of words which paved the way for further discussion of the project in meetings between the Armaments Directors of the countries concerned: these discussions would establish whether the differences between Rolls-Royce and SNECMA (the

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French engine manufacturer), and between the British Aircraft Corporation and Dassault could be resolved in time for final decisions to be taken in the spring of 1985. Both the British and French Governments had a duty to protect the interests of their respective aircraft industries.

In discussion it was pointed out that there were increasing signs of a drawing together between France and the Federal Republic of Germany in the defence field. A recent speech by the former Federal Chancellor, Herr Schmidt, was relevant. It would be extremely important for the United Kingdom, in the aftermath of the meeting of the European Council at Fontainebleau, to seize every opportunity to consolidate its position vis-a-vis its two major European Allies and to prevent the development of Franco-German dominance.

The Cabinet -

Took note.

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3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the result of the debate in the House of Commons on 10 July about the agreement in the European Council had been satisfactory. The debate had shown, however, some anxiety whether effective Community budgetary discipline would be established. He had made clear that the British Government would not be recommending an increase in the Community's own resources until the discussions on budgetary discipline had been carried further forward. On the 1983 refund for the United Kingdom he had told the President of the European Parliament, Mr Dankert, that the United Kingdom was looking for an early decision to transfer the budget provision from the reserve chapter to the operational budget lines, since all member states had now agreed to this.

THE CHANCELLOR OF THE EXCHEQUER said that at the Council of Ministers (Finance) on 9 July, it had been agreed that the high-level group of Community officials would now work out the arrangements on budgetary discipline resulting from the provisional conclusions of the European Council in March which had now been agreed by the European Council at Fontainebleau. The approach had been business-like, and he considered that there would be some improvement on the existing system. It was important, however, to avoid building up too great expectations about budgetary discipline. It would be very difficult to get results in a legally binding form.

The Cabinet -

Took note.

4. THE SECRETARY OF STATE FOR ENERGY reported to the Cabinet on the latest position in the coal industry dispute. The Cabinet's discussion is recorded separately.

THE SECRETARY OF STATE FOR TRANSPORT reported to the Cabinet on the latest position in the dock strike. The Cabinet's discussion is recorded separately.

COMMUNITY AFFAIRS

Community Budget and United Kingdom Refunds
Previous Reference CC(84) 25th Conclusions, Minute 3

INDUSTRIAL AFFAIRS

Coal Industry Dispute
Previous Reference CC(84) 25th Conclusions, Minute 4

Dock Strike

5. THE CHANCELLOR OF THE EXCHEQUER said that he had told the Cabinet at their meeting on 5 July that, although prospects for output, inflation, investment and productivity were broadly satisfactory, the financial markets were going through a difficult period. Initially, the problem had been the high level of United States interest rates. To this problem had been added the coalminers' strike and a weakening of oil prices. The value of the pound had declined sharply against the United States dollar (though much less so against most other currencies). These factors had made inevitable a rise in interest rates in the money markets. The clearing banks, who now raised the bulk of their funds from those markets rather than from retail deposits, had had no choice but to put up their base rates in response. Base rates had risen to 10 per cent on Friday 6 July. This had been followed on Monday 9 July by the announcement of a national dock strike, and a further sharp increase in interest rates, including base rates. This rise had steadied the markets. The expectation now was that interest rates had reached their peak: because of this expectation the Government Broker had been able to sell useful quantities of gilt-edged stock. Mortgage interest rates were likely to rise shortly; but he did not expect the general increase in interest rates to affect the investment plans of companies or continued economic recovery. Company liquidity was high; and profits had recovered from their past decline. The rise in interest rates might defer the reduction in inflation forecast at the time of the Budget. But it could have been averted, if at all, only by a substantial relaxation of monetary conditions. This would have undermined the credibility of the Government's economic policy.

In discussion it was pointed out that it seemed likely that the markets had over-reacted to the announcement of a national dock strike. It was still not widely realised that the effects of such a strike could well be much less serious than in the past. It would be helpful to bring this point out in public discussion, although it would be necessary to avoid implying that the Government regarded the present situation as similar to 1948 or 1972, the years of previous national dock strikes. It would also be helpful to make it clear to international opinion that, although both the coalminers and the dockers were on strike at present, industrial relations in this country were far healthier than they had been in the past. It would, for example, have been inconceivable a few years ago that steel workers would refuse to support a strike by coalminers. An occasion for making these points would be provided by the Third Reading of the Finance Bill later that day.

The Cabinet -

Took note.

Cabinet Office

12 July 1984

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CABINET

LIMITED CIRCULATION ANNEX

CC(84) 26th Conclusions, Minute 4

Thursday 12 July 1984 at 10.00 am

INDUSTRIAL
AFFAIRS

Coal Industry
Dispute
Previous
Reference:
CC(84) 25th
Conclusions,
Minute 4

THE SECRETARY OF STATE FOR ENERGY said that pits fully working numbered 38 with a further 8 on holiday. One additional pit had moved into this category since the previous week. There were also 6 pits with some production with a further 2 on holiday; and pits with some workers in attendance numbered 3 with a further one on holiday. Coal movements had been maintained at about the same level as in the previous week. The talks between the National Coal Board (NCB) and the National Union of Mineworkers (NUM) had come to an end on Monday 9 July without an agreement on the definition of the grounds on which the closure of a pit would be justified. Although the disagreement involved only a few words, there remained a fundamental difference of view between the two sides. The talks were to resume on Wednesday 18 July; it was impossible to predict how they would develop. The NUM President, Mr Scargill, would have been encouraged by the calling of a national dock strike and would be unlikely to make concessions. The NCB would reinforce its efforts to put across its case both in press advertisements and in letters which would be posted that day to all miners, explaining what the NCB had offered.

THE HOME SECRETARY said that no large scale picketing exercises had been mounted over the past week. The police took the view that there had been no increase in the general level of intimidation since their previous assessment on 29 June. There had however been some particularly violent incidents in a few locations, but these were not thought to have been centrally orchestrated. The NCB had made it clear that where violence was offered against NCB employers engaged in safety and maintenance work, safety cover would be withdrawn, thus jeopardising the future of the pit concerned; it was hoped that this would discourage similar incidents in the future.

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the operations to supply coal, coke and iron ore by lorry to the British Steel Corporation's major plants continued to work well and stocks of iron ore at plants were sufficient for several weeks.

The Cabinet -

Took note.

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13 July 1984

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Sir Robert Hurd
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CABINET

LIMITED CIRCULATION ANNEX

CC(84) 26th Conclusions, Minute 4

Thursday 12 July 1984 at 10.00 am

INDUSTRIAL
AFFAIRS

Dock Strike

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THE SECRETARY OF STATE FOR TRANSPORT said that during the previous week two workers who were not registered dockworkers (RDWs) had loaded iron ore into lorries in the docks at Immingham for delivery to the British Steel Corporation. There had not, at the time, been RDWs in position to observe the work in accordance with the relevant industrial agreement. The Transport and General Workers' Union (TGWU) had alleged that this was a breach of the National Dock Labour Scheme (NDLS) and had seized on it as a pretext for calling a national dock strike in all ports, whether covered by the Scheme or not. This was despite the fact that the NDLS itself laid down procedures for the investigation and resolution of alleged breaches. The TGWU were also demanding that the interpretation of what was work covered by the NDLS should rest solely with the trade unions. This was a demand that the employers could not possibly accept. It seemed to have been put forward in order to prevent an early settlement of the dispute. The employers' representatives on the National Dock Labour Board, which administered the NDLS, were meeting that morning; he hoped to make arrangements to meet them himself that afternoon.

Virtually all workers in ports covered by the NDLS had obeyed the strike call; there had also been some response in other ports. The decision of dockworkers at Felixstowe, who were voting on the strike call that morning, would be crucial. Further difficulties seemed likely to result from the decision of the National Union of Seamen (NUS) to prohibit movements of freight, but not passengers, by Sealink ferries in protest against the impending privatisation of Sealink. Sealink's management were likely to resist this, and the outcome could well be that the ferries did not sail at all. Nevertheless, he intended that the privatisation of Sealink should continue as planned on Wednesday 18 July, otherwise the potential buyer might withdraw. Moreover, once the buyer had taken over he would be able to offer the NUS assurances regarding the future of the business. This would help dispel uncertainty among the workforce and enhance the prospects of avoiding or curtailing industrial action.

In discussion the following main points were made -

- a. The occasion for the dispute seemed totally inadequate. It was possible that the leaders of the TGWU had seized on it in order to call a strike in support of the National Union of Mineworkers (NUM). Alternatively, and perhaps more plausibly, their aim might be to exploit the situation created by the coalminers' strike to extend the

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operation or interpretation of the NDLS. Ministers should point out to the media and public opinion that the occasion for the present dock strike was flimsy; and that the NDLS itself made provision for the resolution of disputes. They should also emphasise that a very small number of workers was jeopardising the jobs of many more workers in other parts of the economy.

b. The NDLS was indefensible in principle. If the aim of the TGWU was to extend it to other areas outside the ports, it would probably be necessary to run the risk of a continued dock strike in order to defeat this aim. But if the aim was only to achieve a continuation of the Scheme, or even some reinterpretation of it, it might be better to encourage a settlement. The Government's priority should be to defeat the coalminers' strike. Many RDWs were afraid, partly as a result of statements by representatives of the port employers, that the NDLS might be radically amended or abolished. The leaders of the TGWU had played on such fears. The Government should make it plain that it had no plans to introduce legislation to alter or abolish the NDLS.

c. If the strike spread, problems might soon develop over supplies of grain, animal feed, and bacon. However, the country depended far less than in the past on ports covered by the NDLS. It was also likely that industry would show considerable ingenuity in securing supplies if there were an extended strike. For these reasons, a national dock strike now would be much less damaging than on the previous occasions in 1948 and 1972.

THE PRIME MINISTER, summing up the discussion, said that the Secretary of State for Transport should himself see representatives of the port employers as soon as possible to discuss the situation. He should make it clear to them that the Government had no plans to introduce legislation to alter or abolish the NDLS; the same point should be made clear to the media. The Secretary of State for Employment, who was responsible for the legislation governing the NDLS, should be present at the meeting. The Government should not encourage the employers to abandon their right to manage, as would be the effect of conceding the demand of the trade unions to be the sole interpreters of what was work covered by the NDLS. Nevertheless, if the attitude of the trade unions stemmed from understandable fears regarding the future of the NDLS, it should be possible to allay them. It was clearly desirable that the dispute should be resolved as soon as possible and preferably before Wednesday 18 July, when the talks between the National Coal Board and the NUM were due to resume.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Secretary of State for Employment and the Secretary of State for Transport to be guided accordingly.

Cabinet Office

13 July 1984