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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 10 APRIL 1986
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 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 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 Defence

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 Transport

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

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment

The Rt Hon Kenneth Clarke QC MP
Paymaster General

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

ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

SECRETARY

Sir Robert Armstrong
Mr D F Williamson (Items 2 and 3)
Mr C L G Mallaby (Items 2 and 3)
Mr D E J Jago (Item 3)
Mr A J Langdon (Items 1 and 4)
Mr M J Eland (Items 1 and 4)

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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.

Possible
Industrial
Action by
Prison
Officers

THE HOME SECRETARY said that the leaders of the Prison Officers' Association (POA) were balloting their membership for a mandate to take industrial action. The results of the ballot would be known on 17 April. Much money was now being spent on prison buildings and on prison staff, but in earlier periods of management neglect the POA had got into the position of virtually deciding for themselves how prisons should be run. Their present campaign, which should be seen as a rearguard action in defence of that position, was part of an attempt to claim that they should settle manning levels and the amount of overtime that was available. It would not be defensible to give in to such claims and he intended to resist them, though it should be recognised that, if the POA leaders were given the mandate they sought from their members, they would undoubtedly use it to cause difficulties for the Government. He was in touch with colleagues about the action that might be needed in that event.

The Cabinet -

1. Took note.

Amending
Legislation
on Rate
Support
Grant

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that it would be necessary to promote legislation in the present Session to deal with a defect in the provisions on the calculation of block grant to local authorities. This would need to be announced in a statement later that day. The point at issue, which was to do with the calculation of the multipliers used to set "safety nets" and "caps" for block grant, had been exposed in a case brought against the Government by Birmingham City Council. The hearing of the case was due to start on the following Monday, and Mr Robert Alexander QC had advised that the Government was bound to lose the point of statutory construction that was at issue. The Attorney General agreed with that advice, and with the view of all other colleagues concerned that the Government's best course was to avoid the litigation proceeding to judgment by announcing a decision to legislate to correct the defect. The Attorney General and other colleagues also agreed that it was unavoidable that the legislation should have retrospective effect, though it would reinstate the position as it had universally been perceived to be until the present case and represented the only realistic way of stabilising the situation in respect of block grant paid since 1981. His Department was now under continuous challenge in the courts on local government finance issues. For the most part these had been successfully resisted, but the present case highlighted the extreme complexity and vulnerability of the local government finance arrangements that had been constructed over the years. He was therefore asking his officials to consider whether any

features with a simplifying thrust might be extracted from the proposals published in the recent Green Paper on local government finance, and enacted on a faster timetable than the remainder.

THE PRIME MINISTER, summing up a short discussion, said that the Cabinet agreed that a retrospective Bill would be needed to remedy the defect that had been exposed. This should be presented so far as possible as a technical measure similar to a Bill of indemnity, though it would be unrealistic to suppose that it would have an easy passage through Parliament or that it would not be exploited by those who wished to impede other parts of the Government's legislative programme. Especially in view of the by-election taking place in Fulham that day, the Secretary of State for the Environment should scrutinise his statement with extreme care.

The Cabinet -

- 2. Agreed that a Bill should be introduced in the present Session for the purposes described by the Secretary of State for the Environment
- 3. Invited the Secretary of State for the Environment to proceed in accordance with the Prime Minister's summing up of their discussion.

The Situation in Northern Ireland

Previous Reference: CC(86) 13.3

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that at their last meeting he had informed the Cabinet that the key event amongst the three marches planned by loyalists on Easter Monday would be in Portadown. The estimate he had had at that time had been that there would be some 3,000 participants. At a late stage before the march he had been informed that the number of participants could rise to as high as 25,000 and that loyalist paramilitary groups were intending to use the occasion to mount attacks on the police and sectarian attacks designed to provoke retaliation. The Chief Constable of the Royal Ulster Constabulary (RUC) had asked for a ban on the march and he had agreed to this. The reaction of certain of the Unionist groups had been to assemble a group of some 3,000 people very early on the morning of Easter Monday. The RUC had been taken by surprise by this move and had insufficient resources immediately to hand to prevent it. They, therefore, had allowed the illegal march to proceed. He considered that this had been the right decision. The ban on the march had, however, enabled police to stop people travelling by train and coaches to the march and this had meant that trouble had been minimised.

Later in the day there had been a number of disturbances which the RUC had taken action to counter. In some instances, this had involved the use of baton rounds and plastic bullets; a number of people had been injured, one very seriously. This action had been used to stir up further trouble. There had since been more than 150 attacks on policemen's homes and a number of policemen had been forced to move

house. Some 400 arrests had been made or names noted with a view to subsequent prosecution. Some unionist leaders had been quick to condemn the violence, others less so, but the Ulster Co-ordinating Committee of unionist interests had now condemned it and there were signs that it might diminish. Throughout the incidents the RUC had demonstrated a determined professionalism and commitment to impartial policing, and their morale had if anything been strengthened, though the situation remained tense.

THE PRIME MINISTER said that the previous evening she and the Lord President of the Council and the Secretary of State for Northern Ireland had had a meeting with two unionist peers, Lord Brookeborough and Lord Moyola. The meeting had been at their request. It had been understood that the meeting was private, but one of the unionist peers had evidently given a highly distorted account of it to the press. Contrary to these press reports she and the other Ministers present had made it quite clear that the Government remained committed to the Anglo-Irish Agreement. Action would be taken to correct the account of the meeting. It was clear that the lesson from this was that it was not possible for Ministers to rely on the confidentiality of discussions on this subject to be maintained: in future they should be prepared to publish quickly their own account of such discussions.

The Cabinet -

- 4. Took note.

Disabled Persons (Services, Consultation and Representation) Bill

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the Disabled Persons (Services, Consultation and Representation) Bill - a Private Member's Bill introduced by Mr Tom Clarke MP - was to have its Report Stage in the House of Commons on the following day. The Bill in its current form was unacceptable to the Government. Negotiations were continuing with Mr Clarke on amendments that might be made but even if these were accepted by Mr Clarke the cost of the Bill would still be too high. One possibility, on which he had been in touch with the Chief Secretary, Treasury, might be to defer commencement of the Bill, or significant parts of it. Once the outcome of the discussions with Mr Clarke was known, he might need to consult further with those colleagues most closely concerned.

THE PRIME MINISTER, summing up a brief discussion, said that the Government had an excellent record on the provision it had made for the disabled. The costs of the Bill - some £100 million - were unacceptably high; but, even if the money could be made available, it could be used in far more effective ways to assist the disabled. There was considerable sympathy for those who cared for disabled relatives, and a number of voluntary arrangements were made to assist - for example, to take disabled persons into hospital so that relatives could take a

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holiday - but to make such voluntary arrangements a statutory right went too far. It was important that very clear briefing should be given on the Government's position on the Bill, drawing on these points.

The Cabinet -

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

FOREIGN AFFAIRS

Libya

Previous Reference:
CC(86) 13.2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that two people had been killed and more than 200 injured in an explosion at a night club in West Berlin during the night of 5 April. There was firm evidence that Libya had been involved in this outrage. There was also evidence of Libyan complicity in the recent kidnapping in Beirut of two British citizens. There were clear indications of Libyan plans for further terrorist attacks. Two Libyan diplomats had been expelled from the Federal Republic of Germany and two from France. This action was in line with that taken by the United Kingdom in 1984, when the Libyan People's Bureau in London had been closed. It was desirable that countries opposed to terrorism should take measures of this kind, which were directed specifically at countering the threat. There had been press reports that the United States was planning military action against Libya. The Government were considering what position to take on this in contacts with the United States.

Change of Soviet Ambassador in London

THE FOREIGN AND COMMONWEALTH SECRETARY said that Mr Viktor Popov would be leaving London in the following week at the conclusion of his appointment as Soviet Ambassador. Mr Popov was not a man of stature and his departure was no cause for grief. He had invited large numbers of people to his farewell party on 14 April; there was no reason why Ministers who had had dealings with the Soviet Union should not attend. Mr Popov would be paying farewell calls on the Prime Minister among others. It was worth noting that the treatment he was receiving contrasted sharply with the poor treatment accorded to the previous British Ambassador in Moscow, Sir Iain Sutherland, before his departure from the Soviet Union in 1985. Mr Popov would be succeeded by Mr Leonid Zamyatin, an able man with long experience at the centre of power in Moscow. Although he was not a close personal associate of the new General Secretary of the Communist Party of the Soviet Union, Mr Mikhail Gorbachev, Mr Zamyatin's appointment to London represented an upgrading of the Soviet Embassy. As a former head of the International Information Department of the Central Committee of the Soviet Communist Party, he was skilled at dealing with the media, and would no doubt be active in this direction.

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India and
Pakistan

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had visited India and Pakistan in the previous week. A major purpose in both countries had been to promote opportunities for British trade. His discussions in India had been dominated by the Sikh question. There was great concern at the situation in the Punjab. The Sikh issue as a factor in Anglo-Indian relations had been described by the Indian Prime Minister, Mr Rajiv Gandhi, as a series of pinpricks; but the Ministry of External Affairs and the media in India had been much less helpful. The issue could become a serious one, and he was in touch with the Home Secretary about various aspects of it, including the question of deportation of Sikh extremists. It would be important to convince India that the Government was doing everything possible about Sikh extremist activity in this country. With the agreement of Mr Gandhi, he had proposed that each Government should appoint a Special Representative to deal with this problem; the Minister of State, Foreign and Commonwealth Office (Mr Timothy Renton) would be the United Kingdom's Special Representative. He had also discussed the control of drugs with the Indian authorities; they were reluctant to accept the British proposal to appoint Drug Liaison Officers in India but Mr Gandhi himself was well disposed to the idea.

In Pakistan, the Government's attitude on drugs was co-operative, although the conversion from poppy growing to other crops posed a real problem for the authorities. He had discussed the problem of Afghanistan with the President of Pakistan, General Zia-ul-Haq. Pakistan had every reason to look for a way out of the problem, given the severe human problem of the presence on her territory of three million Afghan refugees. Nevertheless the Pakistani position remained firm. There was no real reason to believe that the Soviet Union would make any serious change in policy on Afghanistan. He had spoken to President Zia and others in Pakistan about the sale of British frigates to Pakistan, reaffirming the United Kingdom's commitment to the sale. Certain points were still outstanding, and he was in touch with the Secretary of State for Defence about how to clinch the deal.

Gibraltar

Previous
Reference:
CC(85) 36.2

THE FOREIGN AND COMMONWEALTH SECRETARY said that Spain did not recognise the United Kingdom claim to territorial waters around Gibraltar. It was in practice very difficult for the two sides to keep out of each other's waters. Spanish vessels often made incursions into Gibraltar's waters and, to preserve the British position, the Government protested when this happened frequently. On 20 March, a Spanish naval flagship had made an incursion to within 1½ miles of the shore of Gibraltar and launched two helicopters. The United Kingdom had made a formal protest. It was possible that the incursion had not been deliberate; it was understood that the commander of the ship had been reprimanded.

South Africa THE FOREIGN AND COMMONWEALTH SECRETARY said that the response of the South African Government to the proposals of the Commonwealth Eminent Persons Group was still awaited.

Previous Reference:

CC(86) 12

The Cabinet -

Took note.

STATEMENT ON THE DEFENCE ESTIMATES 1986

3. The Cabinet considered a memorandum by the Secretary of State for Defence (C(86) 12) seeking approval for the draft of the Statement on the Defence Estimates 1986. They also had before them minutes dated 7 April 1986 from the Secretary of State for Defence and the Secretary of State for Transport to the Prime Minister about merchant shipping and defence needs.

Previous Reference:

CC(85) 12.4

THE SECRETARY OF STATE FOR DEFENCE said that the draft Statement highlighted the important arms control negotiations of the past year and the continuity of the Government's defence policies. The draft also signalled clearly that, with the ending of real increases in the defence budget, there were hard decisions ahead on spending priorities. An important essay entitled "The Seamless Robe" had, however, been included to rebut any revival of the criticism that a major review of the defence programme would be necessary.

In discussion, it was noted that, while defence requirements for merchant ships in tension and war could in general be met, notwithstanding the decline of the British merchant fleet, the provision of sufficient merchant ships for civil resupply of the United Kingdom in any long period of conventional war would be more difficult. While there appeared to be more than sufficient shipping resources within the North Atlantic Treaty Organisation as a whole to cope with such resupply requirements, the subject aroused considerable Parliamentary and public interest and any dependence on other European allies in this respect was not easy to explain.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet approved the draft Statement on the Defence Estimates 1986. The Secretary of State for Defence should provide a speaking note and briefing material for Government spokesmen nearer the time of publication in May. The Secretary of State for Transport should report to the Defence and Overseas Policy Committee (OD) as soon as progress in his current examination of possible ways of stemming the British merchant fleet's decline allowed. This should take account of the significant matter of the decline in the numbers of British seamen.

The Cabinet -

1. Approved the draft Statement on the Defence Estimates 1986.

2. Invited the Secretary of State for Transport to report to the Defence and Overseas Policy Committee on the implications of the British merchant fleet's decline and possible ways of stemming it.

PRIMARY
HEALTH CARE

The Cabinet considered a memorandum by the Secretary of State for Social Services (C(86) 13) covering a draft discussion document on primary health care.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the Government had taken steps to improve the management, cost-effectiveness and financial control of the hospital service. Hospital management had been completely revitalised, and savings from competitive tendering and sales of land had greatly increased. On all significant indicators the hospital service could be demonstrated to be operating more effectively than in 1978. But most contacts that members of the public had with the National Health Service (NHS) were with the medical, dental, pharmaceutical and ophthalmic services provided outside hospitals. These services were unlike the hospital service in that they operated on a cost-plus basis and were not cash limited. They had not been comprehensively reviewed since the NHS was set up, though many important matters had changed since then, especially the numbers of doctors in general practice. The Government had taken some action to sharpen delivery and improve competitiveness, notably in the ophthalmic service, but much needed to be done. The services had the strength of being generally popular, accessible, flexible and a relatively cheap filter to the expensive hospital service; but they displayed widely varying standards, inadequate choice and competition, lack of published information about service, insufficient incentive to teamwork and difficulty in establishing adequate control over expenditure. The Government's key objects should therefore be to raise standards, to make the services more sensitive to consumers, to promote health care and to pursue value for money. These themes made up the main thrust of the discussion document for which he sought the Cabinet's approval. The main proposals affecting the medical service were that information to the public should be improved; it should be made easier to change doctors; elderly doctors should be made to retire; there should be an increased involvement in preventive medicine; and the doctors' contract, last restructured in the mid-1960s, should be substantially revised to introduce new performance-related rewards and to put more emphasis on capitation fees rather than the basic allowances. There was little evidence of a direct link between the size of a doctor's list and the quality of care offered, and it was important that an incentive towards competition should be developed in that way. The proposals for dental services similarly emphasised the importance of better public access and information, retirement of elderly practitioners, and encouragement of preventive services. An extended role was needed for pharmacists to provide better advisory services, and the document also contained proposals for improving value for money by making better use of nursing and other skills. Proposals were developed for simpler and fairer

complaints procedures, for improving services in the inner cities and for establishing teams to monitor the quality of services that were offered on the ground. The discussion document was also intended to open up debate on the whole question of charges, in which it would be important for the Government to preserve its room for manoeuvre by avoiding any further pledges on the maintenance of exemptions.

The discussion document was drawn up as an agenda for discussion rather than a blueprint for action. It would be his intention to use it as the basis for a broad debate during the consultation period, in which he intended to hold a series of meetings chaired by Ministers at which there would be representation from consumer organisations and other interested groups. Many of the proposals canvassed in the paper should prove very attractive to the public, and would find much support in medical circles outside the more traditional professional groups. He therefore intended to put off detailed negotiations with the professions until the public debate had gathered momentum. He proposed that the consultation process should go on until about the end of the year, and that the preparation of more precise proposals should then be put in hand. Legislation would not, however, be possible until after the 1986-87 Session. His proposal had already been endorsed by the Home and Social Affairs Committee and he now sought the Cabinet's approval to publish the discussion document in the following week.

In discussion the following points were made -

- a. The Government had succeeded in introducing a significant number of extra doctors into the NHS. This had led to smaller lists but had not fed through into better services. General practitioners often took a high-handed attitude towards patients, for example, in refusing to allow them to make appointments rather than queue in a general surgery. Any move to deal with such matters or to make it easier to change doctors would be welcomed.
- b. It was important that the proposals to make remuneration performance-related should work in such a way as genuinely to reflect the very wide range of quality amongst general practitioners. To enable this to be done it was highly desirable that those conducting the assessment should include people drawn from outside the profession.
- c. The cost of drugs was enormous. The fact that people did not know the true cost of individual items led to serious waste, with too great a quantity of drugs being prescribed and this excess simply being stored by the patient or thrown out. Less than a quarter of recipients paid full prescription charges and this situation was increasingly difficult to justify. It was time for a full debate on charging and exemption policy.
- d. It was notable that, while private hospital care was flourishing, relatively few people chose to see general

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practitioners privately. This was partly due to the fact that such patients were not entitled to obtain their medicines through the NHS. This was a clear anomaly.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet approved the draft consultation paper. Although the document did not itself propose fundamental changes, it was hoped that it would stimulate a fundamental debate. The document would be carefully scrutinised by the Government's opponents in the hope of creating scare stories and it was most important to ensure that the Government's supporters were well briefed to respond from the outset.

The Cabinet -

1. Approved the draft consultation paper attached to C(86) 13.
2. Invited the Secretary of State for Social Services to proceed with its publication and presentation as he had proposed.

Cabinet Office

10 April 1986

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