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Conclusions

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CABINET

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

THURSDAY 22 JUNE 1989  
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 Lord Mackay of Clashfern  
Lord Chancellor

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 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 Kenneth Baker MP  
Secretary of State for Education and  
Science

The Rt Hon Kenneth Clarke QC MP  
Secretary of State for Health

The Rt Hon John MacGregor  
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  
Security

The Rt Hon John Wakeham MP  
Lord President of the Council

The Rt Hon The Lord Belstead  
Lord Privy Seal

The Rt Hon Cecil Parkinson MP  
Secretary of State for Energy

The Rt Hon John Major MP  
Chief Secretary, Treasury

The Rt Hon Antony Newton MP  
Chancellor of the Duchy of Lancaster

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon David Waddington QC MP  
Parliamentary Secretary, Treasury

The Rt Hon Peter Brooke MP  
Paymaster General

SECRETARIAT

Sir Robin Butler  
Mr R G Lavelle (Items 3 and 4)  
Mr P J Weston (Items 3 and 4)  
Mr P J C Mawer (Items 1 and 2)  
Mr S S Mundy (Items 1 and 2)

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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.

Football  
Spectators  
Bill

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the Football Spectators Bill had completed its passage through the House of Lords on the previous Friday and was due to receive its Second Reading in the House of Commons on the following Tuesday. He would be tabling an Instruction to enable the Standing Committee examining the Bill to consider various safety issues which were outside the current scope of the Bill: this would enable consideration to be given to Government amendments that would allow for any recommendations which Lord Justice Taylor might make on safety issues to be acted upon and thus provide for a move towards all-seated football stadia.

In a brief discussion, it was noted that it remained unlikely that any recommendations that Lord Justice Taylor might make on football membership cards would come forward in time for the passage of the Bill.

THE PRIME MINISTER, summing up the discussion, said that amendments had been introduced and undertakings given in the House of Lords which would ensure that Parliament would have two further opportunities for debate, in the light of any recommendations which Lord Justice Taylor might make on a national football membership scheme, the details of the Government's proposals for implementing such a scheme. The essential point to continue to stress was that the Bill provided an enabling framework and that it was vital that it should be enacted in the current Session so that the national football membership scheme, together with any recommendations which Lord Justice Taylor might make on relevant safety issues which the Government decided to accept, could be implemented without delay.

The Cabinet -

Took note.

HOME  
AFFAIRS

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Industrial  
Action in the  
Transport  
Sector

2. THE SECRETARY OF STATE FOR TRANSPORT said that on the previous day there had been 24-hour stoppages on British Rail, the London Underground and on London Buses. There were currently two disputes on British Rail, one in protest against the management's decision to impose a pay settlement of 10 per cent and the other concerning British Rail's proposals to decentralise its pay negotiating machinery with effect from the

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**CONFIDENTIAL**

Previous  
Reference  
CC(88) 172

following November along lines which the Government had long urged it to adopt. The three British Rail unions had taken different positions: the National Union of Railwaymen (NUR) had secured its member's support for 24-hour stoppages and a ban on overtime and rest-day working, though the ballot which authorised a ban on overtime and rest-day working would expire on 1 July unless the union took steps to renew it; the associated Society of Locomotive Engineers and Firemen (ASLEF) would be balloting its members later that month on a proposal for a ban on overtime and rest-day working; and the Transport Salary Staffs Association (TSSA) was seeking arbitration from the Railway Staff National Tribunal. The overall position on British Rail was confused and uncertain: the management had offered to resume talks with the unions and was consulting the Advisory, Conciliation and Arbitration Service about the next steps. The NUR was meeting that day in advance of its conference beginning on the following Sunday: there were reports that it might call a further 24-hour stoppage on British Rail in the following week. On the London Underground, the NUR had secured the support of its train crew members for 24-hour stoppages in furtherance of the pay claim by drivers of one-person operated trains and the support of its station staff members for indefinite action in protest against the proposed Action Stations programme under which promotion for station staff would in future be based on merit rather than on seniority: there was the possibility of a further 24-hour stoppage on the following Wednesday or Thursday as the union and the unofficial strike committees sought, in effect, to outbid each other. ASLEF was balloting its train crew members about the management's proposals on pay and productivity and the result was expected on 28 June. However, TSSA members had no plans to take industrial action on the London Underground. Roads in London had been less congested on the previous day than had been forecast, although the combined effect of the three stoppages had caused immense disruption and inconvenience, especially to long-distance commuters in London and the South East. The Metropolitan Police had taken certain measures, including increased restrictions on the carrying of abnormal loads and on unloading, but were of the firm view that it would be counter-productive, at least in the case of 24-hour stoppages, to relax parking restrictions. The management was preparing contingency plans against the possibility of any escalation of industrial action on the railways or on London Buses.

In discussion the following main points were made:

- a. The current industrial action by transport workers was confined to the public sector and this provided a vivid illustration of the benefits of privatisation and of deregulation in the transport area. The rail workers were clearly acting against their own long-term interest since industrialists would inevitably draw the conclusion that rail

transport was unreliable and would as a consequence shift to other forms of transport.

b. The disputes on the railways were focussed in part on attempts by British Rail to modernise its pay negotiating machinery and by London Underground to modernise its working practices. It was very important that those reforms should proceed and that the unions should not secure an unacceptably high price for achieving this.

While the travelling public was prepared to tolerate one or two 24-hour stoppages, their mood was likely to change rapidly if the disruption continued. Consideration should be given to whether any further measures could be taken to seek to ease the situation. Consideration should also be given to the scope for the further contracting out and deregulation of London bus services.

THE PRIME MINISTER, summing up the discussion, said that the previous days industrial action had caused serious hardship to commuters and significant losses to business. The fact that the industrial action had been confined to the public sector underlined the benefits of privatisation and deregulation in the transport area. The travelling public would quickly lose patience if the industrial action were to continue. It would be wrong for management to give way to the union's unreasonable demands but the Secretary of State for Transport should consider urgently whether there were any further steps which could be taken to ease the situation. The Government should be seen to be doing what it could to help the travelling public. He should also consider, in consultation with interested colleagues, the scope for the further contracting out and deregulation of London bus services. For the longer term, the Government had recently announced an expanded road building programme, including additional roads into the London area.

The Cabinet -

1. Endorsed the Prime Minister's summing up of the discussion and invited the Secretary of State for Transport to proceed as she had indicated.

Industrial  
Action in the  
Passport  
Department

Previous  
Reference  
CC(89) 20.2

THE HOME SECRETARY, reporting on the industrial dispute involving members of the Civil and Public Services Association in the Passport Offices, said that the Passport Department had offered to provide an increase of 45 posts on top of the increase of 158 already agreed in the number of permanent staff, provided the union agreed to accept flexibility over the transfer of work between Passport Offices, to cooperate with the

review of computerisation in the Passport Department, and to take specific steps to clear the present backlog of passport applications. This proposed increase compared with the union's demand for an additional 381 posts. The additional 203 posts would be found by converting an equivalent number of existing temporary posts. All the new posts would be subject to further scrutiny and examination in the full staffing review to be undertaken later that year. He believed that there was a good prospect that the union would recommend its members to accept the package. In drawing up the proposals, he had been conscious of the importance of bringing the current action to a swift end since there was otherwise a real risk that the service to the public would deteriorate even further. In the longer-term, the answer to the Passport Department's difficulties lay in the computerisation of passport issuing and in the improvement of the current management structure. A prompt settlement of the present dispute would provide the necessary breathing space to tackle these issues. The management structure of the Department would be examined under the Next Steps procedure: that procedure laid down that the question of privatisation should be examined before any consideration was given to the creation of an agency, although there were real difficulties about privatisation in this case in view of the need to ensure that passports, which were Crown documents, would be acceptable to overseas Governments.

The Cabinet -

2. Took note.

Abolition of  
the Dock  
Labour Scheme

Previous  
Reference  
CC(89) 21.2

THE SECRETARY OF STATE FOR EMPLOYMENT said that the Dock Work Bill had completed its Committee Stage in the House of Lords unamended: Report Stage was arranged for 28 June. The Bill was on course to achieve Royal Assent by 3 July. The Judicial Committee of the House of Lords had that week allowed an appeal by the Transport and General Workers Union (TGWU) against the Court of Appeal's grant of an injunction to the three major port employers preventing the TGWU from calling a strike of its members in Dock Labour Scheme ports. The TGWU would, however, have to ballot its members again under the terms of the Employment Act 1980 to obtain a fresh mandate for industrial action. It was expected to announce a fresh ballot later that day, the results of which would probably be available around 5 July, two days after the Dock Work Bill was expected to receive Royal Assent. The union's biennial conference would take place the following week and there would no doubt be a good deal of rhetoric surrounding the occasion. But the unofficial industrial action conducted in some ports had now ceased and although any official action which might be called was likely to

be more widely supported, the position of the union would be substantially weakened when the Dock Work Bill became law and the ports employers were free both to sack registered dock workers and to hire non-registered labour.

National Health Service Reforms  
Previous Reference  
CC(89) 20.2

THE SECRETARY OF STATE FOR HEALTH said that a special conference of local medical committees of the British Medical Association (BMA) in London the previous day had decided by a narrow majority to reject the terms of the new contract for General Practitioners (GPs) which he had negotiated with BMA representatives. The vote reflected both organised opposition among some BMA members to any agreement with the Government and more widespread unease among GPs about the restraints which they feared the new contract would impose on their professional freedom. Nor had the situation been helped by the lapse of time between the conclusion of negotiations and the conference. The General Medical Services Committee of the BMA was expected later that day to vote on the special conference's proposal that all GPs should be balloted on the contract. The ballot result was likely in some 1-2 weeks' time and would probably consist of a large majority against the contract. He expected to see the BMA's chief negotiator later that day, but saw no advantage in reopening negotiations on the terms of the proposed contract. The problem was primarily one for the BMA leadership to resolve, who had proved unable to deliver their members' support for the deal arrived at by their own negotiators. The issue would eventually fall for decision by Parliament since the formal position was that the new contract would be embodied in amended regulations which he would introduce. The regulations might not be ready for introduction before the Parliamentary spillover, however, and there was advantage in allowing the present controversy to die down. So far there was no sign of the Government's Parliamentary supporters becoming anxious on the issue, as they accepted that the Government had negotiated a sensible deal with the BMA leaders.

In discussion the following points were made:

- a. Although on one view a quick resolution of the issue would avoid the Government's supporters being exposed to continued lobbying on behalf of the GPs, there was much to be said for playing the matter along. The primary dispute was between the BMA negotiators and their own members. There was some evidence of diminishing public concern about the GP contracts issue.
- b. On the other hand, there was continuing public concern about the Government's wider proposed reforms of the National Health Service (NHS). There was a good deal of

ignorance among doctors as well as the general public about precisely what those reforms entailed, and much of the opposition to them stemmed simply from a resistance to change.

c. The case for the reforms had been reinforced by recently published research which drew attention to the wide variations in standards between different GPs' services. Unfortunately the researchers had drawn the perverse conclusion that the proposed new contract would worsen the disparity in standards: in fact, their research illustrated the need for the incentives for which the new contract would provide as a means of ensuring that disparities were reduced. It would be helpful if the Secretary of State for Health were to make available to his colleagues a note on this point.

d. There was arguably a case for doing more to promote to the public the benefits of the proposed reforms. The case for change also needed to be made out. In view of the public's trust in the medical profession, there was no advantage in criticising the doctors themselves, although the BMA itself was open to criticism. It was possible that the opponents of change would overplay their hand. Meanwhile there was a case for demonstrating by practical achievements in tackling specific problems such as waiting times or in meeting pre-defined targets, that the Government's approach to the problems of the NHS was bringing results. One helpful approach might be, for example, to remind those who criticised the reforms that the Government was not proposing to move away from a publicly funded National Health Service; rather it was a question of good stewardship in using the public funds entrusted to the Service to best effect. It was natural that there should be resistance to change from those in the Service, but better stewardship of resources was in the interests of all.

e. The most convincing argument for the reforms would be the successful adoption of self-governing status at particular hospitals. Such status would give local hospitals and their staff much greater freedom in managing their own affairs for the benefit of patients from the local community. Self-governing status could not be introduced ahead of the necessary legislation, but a great deal of work was already under way to encourage volunteers for self-governing status to come forward; to sustain their enthusiasm in the face of criticism of opponents of the reforms in the medical profession and from the BMA, which feared the reforms' impact on the existing national bargaining arrangements for the profession; and to prepare the volunteers successfully to achieve the new status. 17

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hospital units had expressed initial interest in self-governing status: it was hoped that by the time the necessary legislation was passed, there would be some 50 units ready to adopt the status.

THE PRIME MINISTER, summing up the discussion, said that the BMA conference vote was disappointing but not disastrous. The case for the reforms proposed by the Government continued regularly to be demonstrated. In that connection, the Secretary of State for Health should make available to colleagues a note on the research into the variation in GPs' standards which had recently been published. The opposition to the Government's reforms was often based on ignorance of what was proposed and fear of any change. The official Opposition's position on the matter was illogical: on the one hand it complained about the standard of service in the NHS, on the other it said that the NHS was a marvellous institution which must remain untouched. A key feature of the reforms was expanding patients' choice: it was difficult to see how anyone, including the BMA, could successfully oppose that. In the lengthy campaign for the reforms which was inevitable, the Government must aim to derive more advantage from the massive sums which it was spending on securing the nation's health and to build on aspects of the reforms which the medical profession could not oppose. The Secretary of State for Health should consider the various points made in discussion in carrying forward the Government's campaign.

The Cabinet -

3. Noted, with approval, the Prime Minister's summing up of its discussion and invited the Secretary of State for Health to be guided accordingly.

FOREIGN  
AFFAIRS

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China

Previous  
Reference  
CC(89) 21.3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the crack-down against dissidents in China continued with large numbers of arrests, the first convictions and executions, and the tightening up of procedures for exit visas. The three people convicted in Shanghai for burning a train had now been executed. A further eight had been sentenced to death in Peking for attacks against the army, all of them workers. The Chinese authorities appeared to be trying to distinguish between workers and students, taking a harsh line toward the former. The long term leadership prospects remained uncertain. There were increasing signs that Zhao Ziyang would be dismissed as Party Secretary but he had not yet been formally dismissed. While the policy of economic reform and openness toward the outside world had been publicly reaffirmed, a recent major speech by Deng Xiaoping pointed to more conservative economic

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policies, with slower growth and a renewed emphasis on central planning. The Chinese economy therefore seemed likely to take a step backward. The authorities were doing their best to emphasise a return to normality. The United Kingdom had, both individually and together with other major international partners, condemned very strongly the continuing repression while avoiding a complete cut-off in contacts and lines of communication with China. The situation in China would no doubt be discussed at the forthcoming European Council in Madrid and the Economic Summit in Paris, and language for public statements on both occasions was being prepared. It was to be expected that applications for political asylum by Chinese citizens would increase.

Hong Kong  
Previous  
Reference  
CC(89) 21.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the financial system in Hong Kong continued to bear up well despite the recent blow to public confidence there. Senior members of the Executive and Legislative Councils, Dame Lydia Dunn and Mr Allen Lee, were currently in London lobbying on the nationality issue and would be seeing the Prime Minister and himself on 23 June. In the debate on 21 June in the House of Lords the Opposition had not taken issue with the Government's line over British passports for Hong Kong residents. But it remained necessary to do some contingency planning about how to cope with the worst case scenario if events were to precipitate a massive flight of Hong Kong residents from the Crown Colony.

Bulgaria

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Bulgarian authorities were stepping up their mistreatment of the Turkish minority in Bulgaria, of whom some 50,000 had now fled the country. The United Kingdom had made a strong statement pressing Bulgaria to desist and invoking the procedures on human rights flowing from the Helsinki Agreement. The Bulgarian leader, Mr Todor Zhivkov, had criticised the British Ambassador for the United Kingdom Government's strong line on the matter.

Greece

THE FOREIGN AND COMMONWEALTH SECRETARY said that in the recent general election in Greece there had been a substantial swing toward the New Democracy party which had won about 56 per cent of the vote compared with 41 per cent in 1985, whereas the ruling party PASOK's share of the vote had fallen from 46 to 39 per cent. The Communists retained 13 per cent. Thus with 145 seats New Democracy were six short of an overall majority in the

Greek Parliament. Mr Andreas Papandreu had resigned. It was too soon to say whether Mr Mitsotakis of New Democracy would be able to form a government. Greece would be represented at the Madrid European Council by President Sartzetakis.

Republic of  
Ireland

THE FOREIGN AND COMMONWEALTH SECRETARY said that in the recent general election in the Irish Republic the Taoiseach, Mr Charles Haughey, had failed to secure an overall majority, being now six seats short. If he was to remain he would therefore be dependent on arrangements with at least one of the minority parties. The signs were that he would be re-elected Taoiseach when the Dail reconvened on 29 June. His position would now be more precarious, but with Mr Brian Lenihan no longer likely to be in the government because of ill health, it would be important to maintain close relations with Mr Haughey. Northern Ireland had not been an issue in the campaign.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that in the Irish general election the Sinn Fein vote had further collapsed, falling from 1.8 per cent in 1984 to only 1.2 per cent this time. During the recent elections to the European Parliament, the Sinn Fein candidate in Northern Ireland, Mr Danny Morrison, had seen his vote cut from 91,000 to 48,000.

The Cabinet -

Took note.

COMMUNITY  
AFFAIRS

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European  
Parliament  
Elections

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that as a result of the 1989 European Parliament elections left wing parties would together be able to muster some 257-261 votes. A coalition of the centre right parties would command some 220 votes. While inclusion of the extreme right would increase this number to some 240 there was a gap of some 40 votes to be bridged for the centre right parties to achieve the majority of 260 votes required under the co-operation procedure introduced by the Single European Act. Further consideration would need to be given to how the situation should be managed. The British Labour Group would now constitute the biggest national element within the Socialist Group. The European Democratic Group would now be only one quarter the size of the Christian Democrats but would be likely to retain one Vice-Presidency.

Economic and  
Finance  
Council  
19 June

THE CHANCELLOR OF THE EXCHEQUER said that there had been a heavy agenda for the meeting of the Economic and Finance Council attended by the Economic Secretary, Mr Peter Lilley, on 19 June. The achievement of a satisfactory outcome was very much to his credit. Two measures had been agreed which together would complete the Single Market for banking and represented a major step in the achievement of a Single Market for financial services generally. First, agreement had been reached on the second Banking Co-ordination Directive under which a bank authorised in one Member State could carry out business in all other Member States. An acceptable form of provision for reciprocity had also been negotiated. One particularly welcome detail in the Directive, in the mergers context, was the ceiling placed on banks' holdings of commercial companies. Secondly the Solvency Ratios Directive, concerned with minimum standards of capital adequacy, had been agreed on a basis compatible with the earlier Basle agreements. A satisfactory exemption had been negotiated for Discount Houses and there had also been recognition of the special position of Gilt Edge Market Makers and Stock Exchange MoneyBrokers. The outcome had been unsatisfactory to the Germans who had in contrast achieved a derogation for lending backed by non-residential mortgages limited to a three year period. In addition final agreement had been reached on the Directive dealing with Insider Trading.

On other issues the Commission made a satisfactory statement on progress in relation to fraud and it seemed reasonable to expect that the conclusions, covering all the key points, tabled by the Presidency would receive an echo at the Madrid European Council. A useful agreement had also been reached on the procedures for carrying forward work on fiscal frontiers. The Council had rejected a Spanish proposal for a European Guarantee Fund. The debt problem was outside Community competence and discussions should be carried forward in the Group of Seven and the International Monetary Fund. Finally agreement had been reached on the reweighting of the ECU which would now include the peseta and the escudo.

Internal  
Market  
Council  
14 June

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Spanish Presidency had successfully brought to a conclusion more than 60 Single Market measures. The Community was now past the halfway mark in the White Paper programme. At its meeting on 14 June the Internal Market Council had taken final decisions on the Public Works Directive and on the framework for compliance by public authorities with the Community's rules on public purchasing. There had been further progress on the new approach to standards. Finally agreement had been formally completed on the Units of Measurement Directive, which had accepted the case put forward by the United Kingdom for retention of the mile and the pint.

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Research  
Council  
20 June

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that the main business at the meeting of the Research Council on 20 June had been a first general debate on the review of the Research and Development Framework Programme. No decisions had been required but there had been a healthier and more sceptical approach displayed to the issues involved than hitherto, with recognition of the need for evaluation of the existing programme before any question of additional funding was addressed. The United Kingdom's approach had received support from the Dutch and Germans. In a brief discussion it was noted that while Commissioner Pandolfi was a great improvement on his predecessor, Commissioner Narjes, President Delors displayed a continuing propensity towards increased expenditure.

Industry  
Council  
21 June

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that at the Industry Council on 21 June further consideration had been given to the decline for subsidy payments by Italy to its steel industry.

Agriculture  
Council  
19-20 June

THE MINISTER FOR AGRICULTURE, FISHERIES AND FOOD said that the meeting of the Agriculture Council on 19-20 June had begun a review of the last major commodity in the Common Agricultural Policy on which reforms were required, namely sheep meat. This issue was of importance both nationally and in expenditure terms. It was too soon to be able to judge when the discussions would be resolved.

The Cabinet -

Took note.

Cabinet Office

23 June 1989

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