



file 16
cc Sir P. C. ...

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

WESTLANDS

The Prime Minister has a long-standing engagement to speak to American correspondents in London tomorrow. If asked about Westlands, she proposes to refer to her statements in the House on 17 and 19 December setting out the Government's policy as regards Westland itself; and to the statement issued after Cabinet in dealing with any questions about Mr. Heseltine's resignation. May I assume that this is acceptable to Departments concerned?

I am copying this minute to the Private Secretaries to the Secretaries of State for Trade and Industry and Defence, and to the Legal Secretary to the Law Officers.

CHARLES POWELL

9 January 1986

a week, who are to lose £5 a week? What does she say to a 24-year-old single worker taking home £55 a week, who is to lose £12? How does she excuse the malice and immorality of that act of robbery against the people who are already poor?

The Prime Minister: What the right hon. Gentleman wants to do is to accept all the increases that my right hon. Friend the Secretary of State for Social Services announced yesterday, and to forget that there might have to be some losers—[*Interruption.*] There might have to be some losers—[*Interruption.*]

Mr. Speaker: Order. The Prime Minister.

The Prime Minister: The right hon. Gentleman wants to forget that there might have to be some losers. However, if he looks at the total expenditure, which is set out in the autumn statement, he will see that this year the total planned expenditure on social security was £40 billion, but by the year 1988-89, it is planned to be £46 billion. That is an increase in expenditure—which will have to be found out of taxation and contributions by the ordinary people of £6 billion.

Mr. Kinnock: Is it not about time that the Prime Minister honestly admitted to the country that more money is spent on benefits for the poor because her policies have made many more people poor? Is it not time for her to say to those whom she glibly dismisses as "some losers" that she could not live on £75 a week and could not tolerate a further loss of £5 a week? How can she defend taking money away from people who are already desperately poor, when she knows that her objective is to give more to those who are already very rich?

The Prime Minister: As my right hon. Friend the Secretary of State said yesterday, the point of the proposals is to direct resources to the areas of greatest need. The new family credit will go to 200,000 more families with children than now have the family income supplement. The right hon. Gentleman wants to take the benefits and all the increases and accept none of the consequences of redistribution. My right hon. Friend wants improved incentives to work and he wants to ensure that commitments entered into can be afforded. With that in mind, he has put forward his proposals, and they will require an increase in expenditure over planned expenditure this year and expenditure in 1988 of some £6 billion, which will have to be found by the taxpayer. Perhaps the right hon. Gentleman will think that that is reasonable. If not, how much more would his plan cost?

Mr. Kinnock: Will the Prime Minister now tell us when it is right to increase the money given to the near destitute in this country? What on earth is the moral or economic justification for finding that money by stealing from the very poor?

The Prime Minister: Once again, the right hon. Gentleman has gone over the top—[*Interruption.*] I take it that he does not want any of the increases that are to go to families, that he does not want improved incentives to work and does not want to ensure that commitments entered into can be afforded. He wants to promise the earth and not say how it is to be paid for.

Mr. Hill: Does not my right hon. Friend agree that although elderly people are interested in pensions and housing benefit, they are mainly concerned about the

protection of their environment, law and order on their council estates, and the fear that they cannot safely open their doors in the evening? Will my right hon. Friend continue to reinforce the police and help the chief constables in the regions to have discussions with the communities on the neighbourhood watch schemes?

The Prime Minister: I agree with my hon. Friend that elderly folk, along with others, are very much concerned with law and order, especially on the council estates. I think that he will also agree that under this Government old-age pensions have gone up by more than the cost of living and under this Government old-age pensioners have had their Christmas bonus every year, which was not the case under the Labour Government.

Q3. Mr. Terry Lewis asked the Prime Minister if she will list her official engagements for Tuesday 17 December.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Lewis: In the dispute between the Secretary of State for Trade and Industry and the Secretary of State for Defence, whose side is the right hon. Lady on?

The Prime Minister: I am on the side of a company that is hoping to keep business going for its considerable work force; that has responsibilities to its shareholders and moral responsibilities to its work force; that must deal with its obligations to its bankers and that also has to consider the legal obligations of auditors. In the very sensitive situation that we now have, I suggest that it is left to the company to decide its future.

Dr. Hampson: Will my right hon. Friend go further and take this opportunity to correct the impression that emerged from yesterday's statement on Westland that the Government are backing the Sikorsky deal and confirm that for a long time the Government have sought greater collaboration among European armament manufacturers, which is particularly long overdue with helicopters?

The Prime Minister: Westland is a public limited company. It must take its own decisions. The Government saw that it had a choice. The board has legal obligations to the shareholders; it has moral obligations to the work force; the banks have their obligations and the auditors have their legal obligations. The people on the board are the only ones in a position to know all the facts. They must make their assessment and present that to the company.

Mr. Steel: Reverting to the first question to the Prime Minister this afternoon, since the deputy chairman of the Conservative party is reported to be acting as a character reference for the return of Mr. Postgate to Lloyd's, will she remind him and everybody else that the Government, like her predecessor's, stand against the unacceptable face of capitalism?

The Prime Minister: I have said that the Government have probably done more than any other to try to tackle fraud wherever it occurs. That will continue to be our policy. As I said, Lord Roskill's report has reached the Government. We are publishing today the White Paper on banking supervision and the Financial Services Bill will be introduced later this week. We have done and shall continue to do everything possible. I suggest that the right hon. Gentleman does the City a great disservice in forgetting the number of jobs and the amount of income

at it provides for Britain. He is trying to suggest that because some things may be wrong somewhere that applies to the whole City. That is not correct.

Mr. Robert Atkins: While we are on the subject of aerospace, has my right hon. Friend noticed today that the figures for the British aerospace industry are £1 billion up on this time last year, representing a 23 per cent. increase, and of that some 60 per cent. are exports to the world? Does not she think that that is the jewel in the crown of British manufacturing industry?

The Prime Minister: I congratulate the aerospace industry on its excellent export record and would like to point out that other parts of manufacturing industry have done very well. Indeed, exports by manufacturing industry were a record last year.

Q4. Mr. Sean Hughes asked the Prime Minister if she will list her official engagements for Tuesday 17 December.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Hughes: Does the fact that the under-25 age group appears to be another group targeted for cuts in welfare benefits mean that the Prime Minister now accepts the point of view of the vice-chairman of the Tory party that too many young people will not get off their backsides and find work?

The Prime Minister: As I said earlier, no one has done more for youth training than this Government. The one millionth youth trainee has now entered the scheme. *[Interruption.]* I am sorry that the Labour party treats these matters with such levity.

Q5. Mr. Freeman asked the Prime Minister if she will list her official engagements for Tuesday 17 December.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Freeman: Is my right hon. Friend aware of the excellent reception on the Conservative Benches to yesterday's White Paper, especially for the proposal for a broader spread of personal pensions? Will she continue to preach the principles of thrift and the broader spread of financial assets?

The Prime Minister: I am glad that my hon. Friend welcomes the White Paper. It is meant, among other things, to give wider choice to those who wish to save through a personal pension scheme and build up a capital fund on their own account. It is also directed to help more effectively those in greatest need, such as young families, through the new family credit scheme, and to give improved incentives to work.

It means that the commitment that we enter into can be afforded. That is a matter to which the Opposition have given no attention since the last election. Indeed, since then they have already promised an additional £10 billion without specifying from where that will come.

Mr. Adley: On a point of order, Mr. Speaker. You will have noticed that, during Question Time, once again the tactics of the Labour party were to shout down my right hon. Friend the Prime Minister at every opportunity—*[Interruption.]*—as they are trying to do to me now. Will you please use your influence to protect this House from the barbaric tactics of the Opposition?

Mr. Speaker: Order. The noise during Question Time today was rather greater than usual, so I agree with the hon. Gentleman on that point.

within the 200-mile limit of the Falklands? When do the Government propose to do something about the report by Dr. Beddington of Imperial College?

Mr. Gummer: The general response to the Beddington report is based on advice given by the Ministry of Agriculture, Fisheries and Food to the Foreign Office, in whose hands this matter continues to be. As to the first question, I am not aware of any British fishing interest that has been prevented from fishing around the Falklands. If it wishes so to do, it can.

Mr. Randall: Does the right hon. Gentleman agree that an early agreement on the best way to exploit and manage this rich fishery is important to Britain and the fishing industry, especially if one takes into account the rumoured cuts in quotas about which we expect to hear later this afternoon?

Mr. Gummer: The hon. Gentleman need not be too concerned about that. We are pleased that the Food and Agriculture Organisation has launched its study. When we have the details, we shall be able to make a sensible basis for the future fishery potential in this area.

Salmon

27. **Sir Hector Monro** asked the Minister of Agriculture, Fisheries and Food what is his estimate of the probable increase in salmon entering British rivers following his announcement on drift netting off the English coast.

Mr. Gummer: The measures which I announced on 7 November will tighten the rules under which the English north-east coast salmon drift net fishery operates. They should produce a significant reduction in the catch of that fishery. Because various natural causes influence the level from season to season, I cannot give a specific forecast of the extent of the increase in salmon entering British rivers.

Sir Hector Monro: Does my right hon. Friend accept that the resolution of the problem of drift netting off the north-east coast of England is crucial to the survival of salmon in the United Kingdom? Will he watch the matter closely and take further action if there are no significant improvements in salmon stocks in Scotland?

Mr. Gummer: I undertake to do that, but I remind my hon. Friend that the arrangements which we have made this year will restrict fishing there in that there will be no weekend fishing, no night fishing, and licences will not be transferable. Major steps have been taken, but we shall continue to examine the matter.

PRIME MINISTER

Engagements

Mr. Spencer asked the Prime Minister if she will list her official engagements for Thursday 19 December.

The Prime Minister (Mrs. Margaret Thatcher): This morning I presided at a meeting of the Cabinet and had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall be having further meetings later today.

Mr. Spencer: In view of the announcement by the Board of Westland Helicopters that it intends to enter into

an agreement with Sikorsky-Fiat, will my right hon. Friend confirm that the position of the Government is as set out in the statement of my right hon. and learned Friend the Secretary of State for Trade and Industry on Monday?

The Prime Minister: Yes, Sir. The future of Westland is a matter for the company to decide. The company's decision is a matter of commercial judgment for its directors and shareholders. That was the position set out by my right hon. and learned Friend, and that was the position reaffirmed by the Cabinet this morning.

Mr. Kinnock: It is something of a change for this matter to go before the Cabinet, or so it appears. Given the patently obvious views stated publicly by the Secretary of State for Defence and the Select Committee on Defence, does the Prime Minister really believe that the subjective preferences of a company are an adequate basis on which to determine important national defence interests?

The Prime Minister: Westland is a private sector public limited company. Its future is a matter for the company to decide, and the company's decision is a matter of commercial judgment for its directors and, ultimately, its shareholders. That was the position, and it was reaffirmed by the Cabinet this morning.

Mr. Kinnock: The Prime Minister said that the company is responsible to its shareholders. Is not she, as Prime Minister, responsible to the nation and for the proper welfare of the nation? Why is she not taking that into proper account, as the Secretary of State for Defence clearly believes she should? When the strategic considered judgment of the Secretary of State for Defence is contrary to the view of a private company, why is she backing the company, not him?

The Prime Minister: I have informed the House of the position of the Cabinet this morning. The position of the Cabinet is the position of the whole Government.

Mr. Churchill: Has my right hon. Friend heard of a farce that is playing on the South Bank entitled "Robin Ratepayer and his Merry Ratepayers"? Does my right hon. Friend not agree that it is entirely appropriate that the leader of the Greater London council should play the star role in this production, for he and the other Marxist city henchmen of the Leader of the Opposition have been robbing ratepayers for years? Will she accept that the ratepayers of the metropolitan counties will be delighted when she rings down the curtain upon this over-expensive production next March?

The Prime Minister: I am grateful to my hon. Friend. I agree with his broad analysis. I believe that the GLC has taken in far more rates than it needs. There should therefore be a goodly amount to be returned to the district councils when the GLC is extinguished.

Mr. Tony Banks: At least there is still a sense of humour on the South Bank. Does the Prime Minister care that the Christmas present to 6,000 loyal GLC staff this Christmas will be their redundancy notices? In view of the misery and unhappiness that the right hon. Lady is causing to these people and to the 3.5 million people who are on the dole, does she think that she deserves a happy Christmas this year?

The Prime Minister: The decision to abolish the GLC was taken by Parliament. I did not hear the hon. Gentleman mention whether or not Labour councils will

be prepared to take on those extra people. The hon. Gentleman ought to remember that there were two years under a Labour Government when all pensioners received no Christmas bonus.

Sir Fergus Montgomery: During her busy day will my right hon. Friend find time to consult the relevant Ministers about the disgraceful way in which the chief constable of Greater Manchester is being treated? Is she aware that yesterday the Labour party used its built-in majority on the police committee to censure this man for merely telling the truth? Is not this yet another example of the Fascist Left in this country pillorying decent public servants who refuse to kowtow to them?

The Prime Minister: My hon. Friend makes his point very cogently. I am sure that he will understand that I cannot comment while that investigation is in progress.

Q4. Mr. Madden: asked the Prime Minister if she will list her official engagements for Thursday 19 December.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Madden: Will the Prime Minister confirm that the city of Bradford has been earmarked to receive extra resources for urban renewal? Will she also confirm that the key to urban renewal lies with more money for new council housing and more money for home improvement grants? Finally, will she confirm that any new money will be given to the local councils concerned and not to a new range of unelected and unaccountable quangos?

The Prime Minister: I do not agree with the hon. Gentleman that the key to urban renewal lies solely with urban housing. The amount of money that has been spent on urban housing and the way in which it has been spent are two of the factors that have led to many of the problems.

Sir John Biggs-Davison: When Ulster is told that it may be rid of the Intergovernmental Conference when it accepts devolution, is legislative devolution and devolved government meant by devolution, or what is meant? Why do a Unionist Government pursue policies that tend to detach Northern Ireland from Great Britain?

The Prime Minister: I cannot accept the latter part of my hon. Friend's question. As he knows, I believe that Union will certainly continue under the Agreement, so long as there is a majority and the majority expresses that wish. Devolved government has to be in accordance with the agreement, which is one that is acceptable to the two traditions in Northern Ireland. As my hon. Friend is aware, there was, in legislation about the Assembly, a possible means of securing much more decision-taking through the Assembly, through the two communities, than is at present the case.

Dr. Owen: In view of the widespread disquiet in the country and in the City about the situation affecting Lloyd's and in the light of what has happened to its chief executive, how do the Government justify not placing Lloyd's under the new market investing board? Will the Prime Minister not consider this issue again and also the need for a full time chairman of considerable independence and stature to supervise this aspect of the City's behaviour, which many people feel that the present legislation is inadequate to cover?

The Prime Minister: I should have thought that the right hon. Gentleman would have been aware that Lloyd's had its own regulatory system and Act of Parliament, the Lloyd's Act 1982. It is too early to pass judgment on the effectiveness of the new regime. We believe that events at Lloyd's on which publicity had been given originated before the Act was passed, but we are keeping a close watch on events there and if it becomes necessary to take action or to legislate, we would not hesitate to do so.

Sir Peter Hordern (Horsham): Will my right hon. Friend make it clear to the chairman of ICI and others who are calling for a lower exchange rate that if industry insists on raising wages so that its products become uncompetitive, the Government will not bail them out by reducing the exchange rate?

The Prime Minister: Yes, I shall make that very clear. That way does not lie increased and improved competitiveness. The only way is to have efficiency in the company, in costs, in design and in quality. No company should look to the exchange rate to secure competitiveness which it cannot itself produce.

Q5. Mr. Dobson: asked the Prime Minister if she will list her official engagements for Thursday 19 December.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Dobson: The Prime Minister told the House on Tuesday that there had to be losers in the social security review. Will she now say how many there will be, who they will be and how much they will lose?

The Prime Minister: If we were to bring in what the Labour party has plans for—[*Interruption.*—]—the burden on the working population would be colossal. We reckon that national insurance contributions for people on average earnings would rise by £9 a week, so that about 20 million people would lose under Labour's plans.

Q6. Mr. Teddy Taylor: asked the Prime Minister if she will list her official engagements for Thursday 19 December.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Taylor: If the Sikorsky deal goes through, as I hope it does, will the Prime Minister ensure that there will be no question of my right hon. Friend the Secretary of State for Defence discriminating against the Westland company or any of its excellent products?

Will she convey to my right hon. Friend the Secretary of State for the Environment the thanks of Southend borough council for the most favourable rate support grant settlement — [*Interruption.*] — that its efficiency deserves?

The Prime Minister: In respect of both parts of my hon. Friend's supplementary question I indicated the Cabinet's decision this morning, and I wish to make it clear that major procurement decisions are a matter for the collective decision of the Government as a whole. I thank my hon. Friend for what he said about the rate support grant. Any authority that spends efficiently and keeps its budget in line with assessed need gets its full grant, and its ratepayers may be very grateful.

Q7. Mr. Gould: asked the Prime Minister if she will list her official engagements for Thursday 19 December.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Gould: Will the Prime Minister now answer the question that was put by my hon. Friend the Member for Holborn and St. Pancras (Mr. Dobson)? How many losers will there be under the social security review, who will they be and how much will they lose?

The Prime Minister: This Government have protected those most in need—[HON. MEMBERS: "Answer."]—and have increased, over and above prices, the retirement pension, supplementary benefit rates and benefits for the sick and the disabled—[*Interruption.*] They have all risen by considerably more than prices. The social security review must be taken as a whole. It is fair both to beneficiaries and the working population. As I said earlier, under arrangements that have been proposed by the Opposition, about 20 million of the working population would stand to lose through national insurance contribution increases.

Sir Geoffrey Finsberg: Will my right hon. Friend agree that whatever decision may ultimately be taken by the shareholders of Westland, it has at least flushed out the Labour party Front Bench into appearing to support the defence of this country?

The Prime Minister: The Labour party are supporting NATO and the defence of Britain. That is worthwhile and a change of policy for some.

Mr. John Morris: In view of the recent track record of the Department of Health and Social Security and the Department of Transport in the courts, will the Prime Minister confirm whether the Attorney-General's Department was consulted? To save taxpayers' money in future will she co-ordinate the activities of the legal officers of those Departments and the Attorney-General's office?

The Prime Minister: The right hon. and learned Gentleman is correct. Yes, the Government have been before the courts and have abided by the decisions of the courts. That is what the rule of law is all about.

Mr. Kinnock: On a point of order, Mr. Speaker. I wish to raise this matter while the Prime Minister is still present. During Prime Minister's Question Time we heard that the Cabinet had taken a decision regarding Westlands. Since that is a vital matter, may we have a further statement from the Government? Can the Prime Minister tell us whether such a statement would be made by the Secretary of State for Trade and Industry or by the Secretary of State for Defence?

Mr. Speaker: I cannot answer that.

Mr. Dykes: On a point of order, Mr. Speaker. My point arises directly from Question Time, when you called hon. Members for agriculture questions, shortly before the change of subject. The old custom was that you would be notified if hon. Members were not to be present. I know that it is just before Christmas, but, in one go, an unprecedented list of 10 hon. Members were not present. Do you have any observations on that?

Mr. Speaker: Only that that is the present custom also.

Mr. Madden: On a point of order Mr. Speaker. You will have heard, with the rest of us, the Prime Minister's dismissive view of the importance of housing. Does that attitude explain why the Secretary of State is today issuing by written answer the details of the housing investment programme rather than coming to the Dispatch Box to make a statement?

Mr. Speaker: That is a continuation of Question Time. It is not a matter for me.

Nigel Wicks



With the compliments of
Colin Budd
THE PRIVATE SECRETARY

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The Cabinet have reaffirmed that it is the policy of the Government that it is for the company to decide what course to follow in the best interest of Westlands and its employees. Cabinet discussed how this decision should apply in practice to ensure that collective responsibility was upheld. It was agreed that during this period when sensitive commercial negotiations were in process, all statements by Government Ministers should be cleared inter-departmentally through the Cabinet Office to ensure that all answers given by the Government were consistent with the policy decided by Cabinet.

Mr. Heseltine found himself unable to accept this procedure and left the Cabinet. The Prime Minister expressed her regret at his decision.