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Cabinet Office, January 1975.
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
TUESDAY 5 MARCH 1974
at 5.00 pm

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Sir Elwyn Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Frederick Peart MP
Minister of Agriculture and Fisheries

Mr Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

Mrs Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon John Morris MP
Secretary of State for Wales

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science
ALSO PRESENT

The Rt Hon Robert Mellish MP  
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt  
Mr J A Hamilton  
Mr J Anson

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THE PRIME MINISTER said that he had held discussions during the day with the Trades Union Congress (TUC) and with the Confederation of British Industry (CBI). The talk with the TUC had been friendly and encouraging, and while no definitive conclusions had been reached, the discussion had covered the way in which the mineworkers' pay dispute might be settled and the general economic situation. The talk with the CBI had also been useful and constructive. The Cabinet would wish at this meeting to give priority to two matters: the handling of the mineworkers' dispute, and the question whether the State of Emergency should be extended or allowed to lapse.

THE SECRETARY OF STATE FOR EMPLOYMENT said that he had held discussions earlier in the day with the National Coal Board (NCB) and with the National Union of Mineworkers (NUM). The claim by the NUM would cost about £113 million on basic rates, together with other improvements which could add a further £20 million. The NCB were now putting forward fresh proposals worth about £95-£98 million. There was some difference of view between the NCB and the NUM on the shape of the settlement; and there was also a dispute as to whether some of the settlement should be backdated to November 1973. The relativities report by the Pay Board, of which a summary had been placed before the Cabinet, proposed that the offer previously made by the NCB under Stage 3 of the Conservative Government's policy should be increased to a total of around £98-£101 million. The report proposed that some underground workers should be given increases which were even higher than the NUM had claimed, but that surface workers should receive less than their claim. It also proposed that a distinction should be made between those surface workers who had previously worked underground and those that had not. The NCB and the NUM had been shown the Pay Board's report, which would be published the following day. The NUM had not yet reacted to it, but were anyway likely to expect to get more than the Pay Board had recommended. He had told both sides that his talks with them were exploratory and without commitment. He had informed them that the Stage 3 limit had been lifted, and had urged them to open negotiations with the aim of reaching an early settlement. He had suggested that the NUM should concentrate on basic rates and not insist on additional benefits at this stage: these should be left for the further discussions which the NCB wished to hold with them before the NUM annual conference. The Cabinet would now wish to consider what guidance might be given to the NCB. In the first instance, it would be possible to suggest that they should negotiate at around the level of the offer which they were now proposing. It would however probably be necessary eventually to go further than that in order to reach a final settlement.
In discussion, it was argued that although the TUC had undertaken not to quote the mineworkers' settlement in other disputes, the surface workers were doing almost identical work to that performed in other industries; and it had become clear in the talk with the TUC earlier that day that some trades unions would find it difficult to abstain from seeking higher increases if the surface workers received more than could be objectively justified. The report by the Pay Board was however unlikely to be helpful in bringing about a satisfactory settlement. The mistake had been made in the earlier negotiations of making a detailed offer which left no further room for possible adjustment of differentials. The danger now was that the NUM would seek to take all that the Pay Board had proposed for underground workers, but would still seek to improve on the Pay Board proposals for surface workers. The distinction which the Pay Board proposed to make between different categories of surface workers, although logically defensible, was also unlikely to be acceptable. Moreover, if the mineworkers' claim was settled on the basis of a relativities report, other trade unions would be under pressure from their members to seek a similar enquiry, with very serious consequences. It would be desirable therefore to make clear at the outset that in allowing the Pay Board report to be published the Government had not approved it as a basis for negotiation; and indeed that they disagreed with the whole concept of settling wage claims by the relativities procedure.

In further discussion it was argued that a settlement of the dispute should aim to achieve peace in the industry for at least two years. In order to avoid a further large claim being endorsed by the NUM annual conference in July, it might be necessary to concede virtually all of the £113 million which the NUM were now asking on basic rates. It would also be necessary to satisfy the surface workers, who had been drawn unwillingly into strike action, and would not now be prepared to see a settlement which was strongly in favour of the underground workers. It might however be unwise to fix a firm limit within which the NCB could negotiate, since they might concede this too soon, with the risk that the Government would then have to move from their original figure to get a final settlement. It would be preferable to suggest to the NCB, without specifying a precise figure, that they should negotiate at around the level of the offer which they were now proposing. It could be pointed out to the mineworkers that this would more than double the increases in basic rates proposed in the earlier Stage 3 offer. In the light of the negotiations, it would then be possible to decide how much more needed to be conceded in order to achieve a final settlement. As regards the other issues, such as pensions and health, the aim should be to try to exclude these from the present settlement, so that they could be considered by the proposed Commission on the coal industry.
THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the Pay Board's relativities report should not be used as a basis for negotiation, and the Government should reject the principle of the relativities procedure. The NCB should be invited to negotiate with the NUM at around the level of the offer which they were now proposing, with the aim of reaching an early settlement. The Cabinet recognised that it might be necessary in the light of these negotiations to authorise the Board to go further in order to reach a settlement. On additional benefits such as health and pensions the objective should be to exclude these from the present settlement and take them up in subsequent discussions on the structure of the industry.

The Cabinet -

Invited the Secretary of State for Employment, in consultation with the Secretary of State for Energy, to give guidance to the National Coal Board on the lines indicated in the summing up of their discussion by the Prime Minister.
2. THE HOME SECRETARY said that the State of Emergency, and the Emergency Regulations which had been made under it, would lapse at midnight on Wednesday 6 March. A Privy Council had been provisionally arranged for 6 March in case it was decided to renew the State of Emergency for a further period. If it was renewed, Affirmative Resolutions would be needed not later than 13 March if the Regulations were not to lapse on that date. The restrictions on the use of electricity and oil were made under separate powers, and there was therefore no inherent reason to continue the State of Emergency. It was however for consideration whether it would be wise to declare the emergency over before the mineworkers' dispute had been settled. It might be argued that it was not yet possible to say what further powers might be needed, and that a termination of the State of Emergency might make it more difficult to retain the voluntary co-operation of the public. These arguments were however contingent and psychological, and it might be preferable to allow the State of Emergency to lapse. Alternatively, it would be possible to renew the State of Emergency on 6 March, and then not ask Parliament to approve the necessary Resolutions.

In discussion, it was argued that, with the exception of a Regulation concerning drivers' hours, the present restrictions were imposed under other powers; and the State of Emergency could therefore be allowed to lapse. Any action that might be needed subsequently, such as the possible allocation of steel supplies, could probably be achieved by other means. A decision by the Government to renew the State of Emergency could attract unfavourable attention in the Press, and unless it was revoked before Parliament met, it would need to be mentioned in The Queen's Speech and debated. On the other hand, the Cabinet had not yet had an opportunity to study the economic situation, and could not therefore form a judgment on the measures that might be needed. The general feeling among the public was that an emergency situation still existed, and it might be regarded as no more than common prudence to maintain the State of Emergency until a settlement of the mineworkers' dispute had actually been achieved. If the dispute had been settled by the end of the week, a further announcement could be made that the Government would not be asking Parliament to approve the necessary Resolutions.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the State of Emergency should be renewed at the meeting of the Privy Council arranged for the following day. If the mineworkers' dispute had been settled before Parliament needed to approve the Affirmative Resolutions, the Regulations could then be allowed to lapse.
The Cabinet -

Invited the Home Secretary, in consultation with the Lord President, to arrange for the State of Emergency to be extended at the meeting of the Privy Council arranged for 6 March.

The Cabinet considered the arrangements for preparing The Queen's Speech on the Opening of Parliament.

In discussion it was argued that there might be advantage in postponing The Queen's Speech in order to give more time for its consideration by the Cabinet. While a postponement of a full week might give rise to adverse criticism, a delay of two days could be justified on the grounds that the Government had not been able to take office immediately after the Election. Any such delay would however leave less time for essential business and Supply Days, and could therefore have the effect of curtailing the Easter Recess.

THE PRIME MINISTER, summing up the discussion, said that Ministers who wished to put forward proposals for inclusion in The Queen's Speech should transmit them to the Lord President by 3.00 pm on Wednesday 6 March. It would be necessary to concentrate on measures which were essential or of high priority, such as increases in pensions and the repeal of the Industrial Relations Act. In the light of these proposals, a Ministerial Committee would consider drafts of The Queen's Speech, which could then be considered by the Cabinet later in the week. The Speech should in general give broad indications of policy intention rather than a detailed description of individual measures. It should be based on the assumption of a Session lasting about a year. This would leave the Government free to decide whether to terminate the Session in the autumn or to allow it to continue for a further period.

The Cabinet -

Took note, with approval, of the summing up of their discussion by the Prime Minister.

Cabinet Office

6 March 1974
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 7 MARCH 1974
at 5.00 pm

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Sir Elwyn Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry
(For Items 1 - 4)

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales
The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Frederick Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal

ALSO PRESENT

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr P Benner (Items 1 - 4)
Mr J A Hamilton (Item 5)
Mr J Anson (Item 5)
Mr K R Stowe (Item 4)

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5. | MINEWORKERS' PAY DISPUTE | 2
1. THE PRIME MINISTER said that a memorandum on Questions of Procedure for Ministers (C(P)(74) 1) would shortly be circulated to all members of the Government and should be carefully studied. It was important, in order to ensure that the Government's business was smoothly and efficiently handled, that the procedural rules set out in the memorandum were strictly observed. Any Minister wishing to make an announcement on an important policy question, whether in Parliament or elsewhere, should clear it in advance with the Lord President of the Council, particularly as regards timing.

The Cabinet -

Took note of the Prime Minister's statement.

2. THE SECRETARY OF STATE FOR ENERGY said that, after consultations with the Confederation of British Industry, the Trades Union Congress, the Central Electricity Generating Board and other interests concerned, he had concluded that it would be possible immediately to return to five-day working. He had accordingly made the necessary Order, which would come into effect at midnight on 8-9 March. The restrictions on the use of electricity for heating and lighting in industrial and commercial premises and on street lighting would continue for the time being. He expected that it would be possible to bring these also to an end very shortly, although, for practical reasons, it would take local authorities some time fully to restore street lighting. The way was thus open for industrial production to return to normal although this would not be achieved immediately in some sectors because of shortages of components.

The Cabinet -

Took note of the statement by the Secretary of State for Energy.

3. The Cabinet were informed of the business to be taken in the House of Commons during the following week. It was for the Opposition to decide how time should be allocated during the Debate on the Address, and therefore it might be possible to give only short notice to Ministers who would be required to speak during the Debate.

It would be necessary for the Cabinet to settle the Government's legislative programme as soon as possible; and Ministers were being asked urgently to submit their Departments' legislative proposals. As a result of the even balance of Party strength in the House of Commons, it was likely that the Committee Stage of controversial Bills would frequently have to be taken on the Floor of the House, and this would restrict the volume of legislation which the Government could hope to undertake.
4. The Cabinet had before them a note by the Lord President of the Council (C(74) 1), to which was annexed a draft of The Queen's Speech on the Opening of Parliament.

The Cabinet considered the draft Speech paragraph by paragraph.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet approved the draft, subject to a number of amendments which had been suggested in discussion. The programme outlined in the draft Speech would justify an initial Session of at least a year; but a final decision whether or not to prorogue Parliament in the autumn of 1974 need not be taken for some months. The Speech was couched in terms which would not commit the Government to introduce legislation during the initial Session beyond the relatively few Bills to which it was clear that immediate priority must be given. Commitments involving public expenditure were dealt with on precisely the same basis. It was essential that, in their speeches during the Debate on the Address and elsewhere, Ministers should strictly adhere to this approach. In particular, no commitments involving public expenditure should be given in advance of collective decisions by Ministers; and the Cabinet would not be able to reach conclusions on spending priorities until there had been full discussion of the economic situation. Where the draft Speech contained commitments - for example, in relation to increases in pensions and social security benefits - no promises should at this stage be made as to the date from which they would take effect.

The Cabinet -

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

5. THE SECRETARY OF STATE FOR EMPLOYMENT said that the National Coal Board (NCB) had reached agreement with the National Union of Mineworkers (NUM) on a settlement that would increase basic wage rates to £45 for face workers, £36 for other underground workers, and £32 for surface workers. In order to do this the NCB had been authorised to increase their offer to a total of £108½ million, equivalent to an increase of 32 per cent. It had been clear that a settlement could not have been reached on the basis of the Pay Board's relativities report. The NCB had successfully resisted a further NUM claim for backdating to November 1973. The NCB had also undertaken to give a threshold agreement on the lines of the Pay Code; on present forecasts this would, by the end of the year, add £3.60 a week to the value of the settlement, and this was not included in the estimate of total cost. The arrangements for putting the settlement through the Pay Board procedure and giving formal Ministerial consent would be completed as quickly as possible.
The mineworkers' settlement would inevitably have an effect on the general prospect for pay settlements, which was already disturbing. Stage 3 of the Conservative Government's policy was originally estimated to give rise to an increase of 11 per cent in earnings. But on present forecasts the threshold agreements would now be triggered nine times, starting in April, and by the end of the year earnings would then be 19-20 per cent higher than a year earlier, and prices 15 per cent higher. The direct repercussions of the mineworkers' settlement might not be too great because of the assurance of the Trades Union Congress (TUC) that their case was unique. There was however a formidable list of demands which would come forward in the next three or four months, and which would be intensified even if the TUC did all in their power to restrain them.

Against this background, it would be necessary to consider the position which the Government should adopt for the immediate future and in the longer term. As regards the immediate future, the TUC wanted the Pay Board to be abolished, but this required legislation and could not be done at once. The fact that the Stage 3 limit had been lifted for the mineworkers did not therefore mean that it had been lifted for all other claims; and he hoped that during this interim period Ministers dealing with claims which came to their Departments would not say or imply that the Stage 3 limit had been removed altogether. While there could be no question of going back on the Government's commitment, the Counter-Inflation Act 1973 remained in force until it was altered, and it could only be overridden by using the power of Ministerial consent given by the Act; this might need to be invoked in some cases. He would aim, in his discussions with the General Secretary of the TUC, to ensure that there was no misunderstanding about the position during the interim period; and then to reach agreement on a fuller statement on the way of arriving at a general indication of the kind of settlements that were to be made on a voluntary basis. In the light of these discussions, he would circulate a note suggesting the line that should be taken on this subject in the Debate on the Address.

THE SECRETARY OF STATE FOR ENERGY said that the cost of the mineworkers' settlement would increase the NCB's deficit in 1974-75 to some £400 million. He proposed therefore to encourage the Board to make an immediate increase in the price of industrial coal, but not of domestic coal.

In discussion the following points were made -

a. The TUC were unlikely in practice to expect that the Pay Board could be abolished overnight, and indeed some of their members might prefer otherwise. Departments would however need guidance on the way in which they should deal
with current cases. The Doctors' and Dentists' Review Body, for example, were at present taking evidence; and the British Medical Association had indicated that they were not prepared to accept the Stage 3 limit. It would however seem preferable for Ministers to hold back from endorsing claims going beyond that limit until the Government's future policy had been further developed.

b. There would be advantage in relating an immediate increase in the price of industrial coal to the cost of the mineworkers' settlement. In presenting this, attention could also be drawn to the high cost of the industrial action itself. It would however be preferable not to extend the price increase to domestic coal, since this would significantly increase the retail price index and aggravate the serious problem posed by the threshold agreements. The more general problem of prices in the nationalised industries as a whole would need further urgent consideration by the Ministers concerned.

THE PRIME MINISTER, summing up the discussion, said that the Secretaries of State for Employment and for Energy were to be congratulated on the speedy conclusion of a settlement of the mineworkers' dispute. On the development of future policy, the Cabinet endorsed the general approach which the Secretary of State for Employment had suggested. In the light of his preliminary discussions with the General Secretary of the TUC, the Secretary of State for Employment should circulate a note indicating the line which he proposed to take during the Debate on the Address. While discussions on future policy were continuing, Ministers dealing with particular pay claims should seek to avoid endorsing proposals for pay increases going beyond those permitted by the legislation currently in force. The Secretaries of State for Employment and for Prices and Consumer Protection should study urgently the legislation which would be needed to amend the Counter-Inflation Act 1973, and should arrange for the preparation of a memorandum on this subject as soon as possible. The Cabinet agreed that there should be an increase in the price of industrial coal, but that an increase in the price of domestic coal should be avoided for the time being. Further early consideration would need to be given to the more general problem of nationalised industry prices.
The Cabinet -

1. Took note, with approval, of the summing up of their discussion by the Prime Minister.

2. Invited the Secretary of State for Employment -
   a. To circulate a note on the line which he proposed to adopt in the Debate on the Address.
   b. In consultation with the Chancellor of the Exchequer and the Secretary of State for Prices and Consumer Protection, to consider urgently the legislation needed to amend the Counter-Inflation Act 1973.

3. Invited the Secretary of State for Energy, in consultation with the Chancellor of the Exchequer, to authorise the National Coal Board to make an immediate increase in the price of industrial coal.

Cabinet Office

8 March 1974
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 14 MARCH 1974
at 10.30 am

PRESENT
The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales
The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Frederick Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal

ALSO PRESENT
The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

SECRETARIAT
Sir John Hunt
Mr H F T Smith (Items 1-4)
Mr P Benner (Items 1, 2 and 7)
Mr J A Hamilton (Items 5 and 6)
Mr J Anson (Item 5)
Mr R J O'Neill (Items 3 and 4)
Mr R L Baxter (Item 6)

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1. THE PRIME MINISTER said that he had already urged his colleagues to study "Questions of Procedure for Ministers" (C(P)(74) 1) very carefully. He wanted now to emphasise that, although it was important that the Government's policies should be publicly presented to the best advantage, Ministers should exercise caution in agreeing to give interviews to the media, including the foreign press. Ministers who thought it right to give such interviews should normally confine their remarks to matters for which they were directly responsible; in particular, pronouncements should not be made about fiscal questions, matters involving public expenditure or foreign relations (which of course included this country's relationship with the European Economic Community) unless there had been full prior consultation with the responsible Ministers.

The Cabinet -

Took note of the statement by the Prime Minister.

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

It was noted that there was a possibility that the Government could be defeated on the amendment to the Address in Reply to the Gracious Speech which the Conservative Party had put down for debate on 18 March, though it seemed doubtful whether either the Conservative or the Liberal Party wished in fact to precipitate an early general election. The situation could in any case be considered at the meeting of the Cabinet which had already been planned for the morning following the debate. In the meantime, it would be useful for the Foreign and Commonwealth Secretary, in a public speech which he would be making on the evening of 15 March, to stress the importance in the national interest that there should be stability in Government at the present time.
3. THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS said that it would be necessary to review our policy on naval visits to certain countries. Pending the outcome of this review a visit to Athens by 2 ships of the Royal Navy which was to have taken place that day had been cancelled. Visits to Portugal would also be suspended, but for practical reasons vessels of the Royal Navy should be allowed to visit the Azores.

THE SECRETARY OF STATE FOR DEFENCE said that, in general, it was desirable to avoid cancelling visits at very short notice. A review of our policy should be conducted jointly by the 2 Departments, and they had agreed that this should be done.

The Cabinet -

Took note of the statements by the Foreign and Commonwealth Secretary and the Secretary of State for Defence.

4. THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the success of the Protestant candidates opposed to the Sunningdale Agreement in winning 11 seats in the General Election had been a severe blow to Mr Faulkner and his supporters in the Northern Ireland Assembly, and had affected morale in the Executive. We must continue to make it clear that the Executive and the principle of power-sharing had our full support. We should continue to work for progress on the Sunningdale Agreement; it would be unwise to yield to pressure from those who were opposed to this.

The Cabinet -

Took note of the statement by the Secretary of State for Northern Ireland.
5. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(74) 4) on public expenditure in 1974-75.

THE CHANCELLOR OF THE EXCHEQUER said that the country confronted an economic situation which might well be the worst which had ever been faced in peacetime, and which was deteriorating. In the past year inflation had been running at over 10 per cent; the balance of payments deficit had been around £1,500 million; the borrowing requirement had been £4,000 million; and growth had virtually come to a halt by the end of the year. In the absence of any change in economic policies, inflation this year would be over 15 per cent; the balance of payments deficit would increase to about £4,000 million, which implied a significant increase quite apart from the deficit arising from higher oil prices; the borrowing requirement would be about £3,000 million; and the prospects for growth were highly uncertain. The 3-day week had multiplied the problems by reducing the gross domestic product by 10 per cent during the first 2 months of the year, with a cut in industrial output of 20-30 per cent. Industry was now short of both money and stocks, and there was great uncertainty about how rapidly the economy would recover. There were also uncertainties about the future trend of commodity prices and the prospects for world trade.

It was clear that there would be no scope for any increase in living standards this year, although there might be some improvement in the second half of the year compared with the present depressed level. The threshold agreements which had been included in Stage 3 of the Conservative Government's Counter-Inflation policy would act as a straitjacket to policy. While not many such agreements had yet been made, they were likely to be generalised, and the 7 per cent threshold level would probably be reached in April, with the agreements being triggered about 9 times during the rest of the year. While this would make it economically virtuous to subsidise the cost of living, it would also limit the Government's freedom of action, particularly in the use of indirect taxation.

Against this background his aim would be to ensure that during a period of sacrifice the burdens would be fairly shared. He would also aim to make the maximum use of manpower and materials to increase growth as rapidly as possible. It would be necessary to shift resources from private consumption into the balance of payments and investment, but not so rapidly as to dislocate the economy and lead to large increases in unemployment. In order to clear the way for his final Budget decisions, it would be necessary to decide the total level of public expenditure by the end of the week. He had already made progress in settling the expenditure on food subsidies, and the Cabinet would be discussing the size of the uprating of social security benefits later in the meeting. On nationalised industry prices, the Cabinet had already agreed to a
substantial increase in the price of industrial coal, and he considered that it would be necessary to accept increases in postal and telecommunication charges and railway fares. The Government would also be faced with a very difficult judgment on steel and electricity prices. On defence, he proposed that the reduction announced by the previous Government of £175 million in 1974-75 should be increased to £250 million; and that an announcement of this should be linked with the intention, announced by the Government when they were last in office, to withdraw from East of Suez except Hong Kong. On the major expenditure projects mentioned in paragraph 6 of his memorandum, he hoped to reach agreement with the Secretary of State for the Environment on a holding position for the Channel Tunnel project, and on a suspension of expenditure on Maplin, at least for the coming year and preferably longer. On the Concorde project, he had circulated a minute to members of the Cabinet setting out the facts, and there was already Parliamentary pressure for these to be disclosed. He hoped that as a first step the facts could be made available publicly. In his view the project should be cancelled, but this was a matter which the Cabinet would need to discuss separately.

He would shortly be putting proposals to the Cabinet for the review of public expenditure programmes for the years from 1975-76 onwards. For 1974-75, he invited the Cabinet to agree that net additions to public expenditure should be limited to those affecting personal incomes and expenditure, as indicated in paragraph 2 of C(74) 4; and that in view of these additional expenditures and the risk of subsidies being needed for the nationalised industries, any other net additions to public expenditure programmes in 1974-75 must be avoided.

In discussion, there was general agreement with the approach proposed by the Chancellor of the Exchequer. The limitation proposed on public expenditure in 1974-75 would bear severely on some programmes, particularly those which had been cut by the previous Administration in December. Some Ministers might therefore wish to propose some variation within their total allocation. The Cabinet would however have an early opportunity to discuss the arrangements for reviewing expenditure in 1975-76 and subsequent years; and it might also be appropriate, later in the year, to review public sector building programmes in the light of the prospects for the construction industry. The following further points were also made in connection with particular expenditure programmes.

General
Before a substantive decision was taken on the future of the Concorde project, it should be fully discussed by the Cabinet, who would need not only a statement of the financial costs involved, but also an estimate of the social costs, including unemployment, social security benefits, and retraining. There would be a very strong reaction from the French Government to any proposal for cancellation, and the Attorney General should be asked to advise on the legal position. It was also for consideration whether the final decision should be announced in the Budget or whether, for example, a Select Committee should be appointed. But whatever final decision was reached, there seemed to be overwhelming advantage in revealing the facts at the earliest opportunity after the General Election, as a background to the decisions which the Government would subsequently announce; and the French Government could not reasonably object to this since they had recently themselves issued a Press statement unilaterally. It would be desirable to give advance warning to the French Government, the manufacturers and the trades unions that a statement of the facts was being issued. The statement might give rise to a demand for an immediate Debate, but in that case the Government should avoid commenting on the substance and take credit for having brought the facts to light. The way in which the matter should be handled in the Budget should be further considered in the light of public reaction to the statement.

Proposals for the future of the Channel Tunnel and Maplin Airport projects would shortly be brought before the Cabinet. Full account would need to be taken of the effect on other airports if Maplin was not built.

The Secretary of State for Defence would co-operate with the Chancellor of the Exchequer in seeking ways of achieving the additional reduction which he had proposed. It would however not be easy because reductions, whether in manpower or in equipment projects, tended in the short run to entail additional expenditure on redundancy payments and cancellation charges. Moreover, while an announcement about withdrawal from East of Suez might help to strengthen the credibility of the expenditure cuts, it would be unwise to take this step without proper consultation, which might take another 2 or 3 weeks.
Agriculture

There would be particular problems in regard to agriculture, given that the Government was committed to expansion and that our farmers were getting lower prices than in the original member countries of the European Economic Community, but were faced with large increases in the cost of feeding-stuffs. The Government's commitment was however limited to the maximum economic expansion of agriculture, and there was room for argument as to the level of expansion that could be considered economic.

Education

The December reductions in the education programme could lead to some limitation of teacher establishments, with the result that a number of teachers leaving training colleges might not find employment. The reduction of 20 per cent in capital expenditure during the year would require a reduction of 50 per cent in new starts, so that the school building programme would be limited to accommodating increased numbers in areas where the school population was expanding. The inner city areas, which were particularly deserving of help, would therefore suffer disproportionately. While at the present time there was no room for reversal of any of the December cuts, the matter might be reviewed later in the year in any general review of construction programmes.

Nationalised Industry Prices

Increases would be needed in postal and telecommunications charges. A decision on steel prices would be more difficult, and needed further consideration. In the electricity industry, the forecast deficit was now around £500 million, and an increase would be proposed taking due account of the possible effect on threshold agreements. Where increases were proposed for domestic consumers, the Ministers concerned should consult the Secretaries of State for Prices and Consumer Protection and for Social Services on the implications for the low-paid and pensioners. Even with the increases in supplementary benefits which were now being proposed, an increase in supplementary heating allowances was likely to be necessary to offset higher bills for electricity and paraffin; and if some help of this kind could be given it might enable larger general price increases to be made. There was a case for placing most of the burden of the price increases on industry, since our exports appeared at present to be underpriced in export markets. Nevertheless, industry also faced considerable liquidity problems; and the most important problem to be tackled at present was inflation, which was more serious here than in our main competitor countries. By the end of the year, we might again be becoming uncompetitive in export markets, and a policy of increasing industrial costs to achieve a temporary increase in export prices could therefore be damaging.
A choice would however need to be made between the various ways of allocating the price increases, given that, at the margin, an increase in one sector released funds for subsidies elsewhere.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the broad approach proposed by the Chancellor of the Exchequer in C(74) 4. Individual Ministers should discuss the detailed implications for their programmes with the Chief Secretary, Treasury, as necessary. The Cabinet would be considering later in the meeting the proposals regarding the uprating of social security benefits. It was important that no proposals for increased expenditure should be revealed before the Chancellor of the Exchequer was able, in his Budget statement, to demonstrate how they would be financed. The Cabinet would need to give early consideration to the future of the Concorde project, Channel Tunnel and Maplin Airport, in the light of memoranda circulated by the Ministers concerned, which should take account of the social as well as the economic implications. In the meantime, the Cabinet agreed that the Secretary of State for Industry should release a statement of the facts concerning the Concorde project for public discussion. A draft of this statement should be cleared with himself and with the Lord President, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Attorney General; and prior warning of its issue should be given to the French Government, and the manufacturers and trades unions. The Cabinet would consider at a later meeting the arrangements for preparation of public expenditure programmes for 1975-76 and thereafter; and noted that it might be desirable to review public sector building programmes later in the year, in the light of the prospective level of demand on the construction industry.

The Cabinet -

1. Approved the recommendation in paragraph 3 of C(74) 4.

2. Invited the Secretary of State for Industry -
   a. To issue a statement of the facts of the Concorde project, as indicated by the Prime Minister in his summing up.
   b. In consultation with the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Employment and the Attorney General, to circulate a memorandum on the Concorde project for consideration by the Cabinet.
3. Invited the Secretary of State for the Environment to circulate memoranda on the future of the Channel Tunnel and Maplin Airport.

4. Invited the Chancellor of the Exchequer to circulate a memorandum on arrangements for preparation of public expenditure programmes for 1975-76 and later years.

6. The Cabinet considered a memorandum by the Secretary of State for Prices and Consumer Protection (C(74) 5) on prices policy.

THE SECRETARY OF STATE FOR PRICES AND CONSUMER PROTECTION said that she sought the agreement of her colleagues to the urgent preparation of a Bill giving powers to:

i. authorise expenditure on subsidies,

ii. prescribe prices and margins for subsidised goods,

iii. prescribe prices and margins for certain other essential foods,

iv. vary decisions of the Price Commission,

v. require prices to be displayed and goods to be marked with unit prices.

In considering the payment of subsidies she had been obliged to reject the idea of operating through the mechanism of the Value Added Tax; this would have required the rewriting of a computer programme which would have taken months to complete. She had decided to concentrate on certain essential foods and to use existing mechanisms as far as possible. She proposed therefore to subsidise bread and milk, both of which were weighted heavily in the retail price index (RPI); also cheese, butter and sugar, in spite of certain difficulties that would arise in relation to the European Economic Community. She would like to add one other protein food to the list and was investigating the possibilities of eggs, bacon or ham. It would be necessary to introduce the subsidy on bread immediately in order to forestall a price increase. The other subsidies would be announced in the Budget. The cost would be in the region of £400 million a year, excluding the existing milk subsidy. The total would depend mainly on the cost of holding bread prices at the present level. She thought it right to retain the Price Commission as an independent agency to control prices in accordance with a general price code, as it would be unwise to involve the Government
in the detailed control of prices; but she proposed to initiate statutory consultation on three amendments to the Code: first to impose a general reduction of 10 per cent on all distributors' gross margins; secondly to impose a minimum period of three months between price increases; and thirdly if possible to deal with price increases on existing stocks. She would aim to bring the Bill, the subsidies and the amendments to the Price Code into effect more or less at the same time in April. In the longer term she would like to reconsider the provision for allowable costs in the Price Code, and to consider whether the presentation of company accounts could be made to distinguish between profits on home sales and on exports. The proposed amendments to the Price Code had been deliberately stated in uncompromising terms. The Confederation of British Industry and the Retail Consortium would object strongly to some of them, and it might be necessary to offer some concessions in order to get the proposals through Parliament. There might in particular be a real case for allowing some exemptions for the sake of investment; the more tightly gross margins were squeezed the more necessary such exemptions would become.

THE PRIME MINISTER said that he had held a meeting the previous day to discuss the abolition of the Pay Board. The meeting had agreed that the power to abolish the Pay Board should be included within this Bill. The prospects of Parliamentary approval seemed better at present than they might be later and the provision would improve the prospects for the negotiations with the Trades Union Congress on a voluntary incomes policy. The clause would however be drafted in such a way that its deletion in Parliament would not damage the rest of the Bill. It would enable the Secretary of State to abolish the Pay Board by means of an order requiring an Affirmative Resolution of the House, and it would be made clear that this would not be done until some progress had been made in working out a voluntary policy.

In discussion it was argued that the public would expect a more general introduction of cash margin controls. They would also expect action on sharp increases in the prices of foods such as spaghetti which might not be regarded as essential foods. Against this it was argued that the control of prices and margins would have to be limited to a small number of essential foods in order to enable the firms to cover their losses by cross-subsidisation from their profits on other foods. The proposed 10 per cent cut in margins would be reinforced where necessary by the use of paragraph 80 of the Price Code, which enabled the Commission to recommend a reduction in margins where the cost of any goods rose substantially. The costs of the whole policy would have to be borne by industry, which was already facing cash flow difficulties and deferments of investment. Many firms, particularly manufacturers hit by frequent increases in world prices, would need to take advantage of any provisions for special exemption.
In further discussion it was argued that the principal short-term aim should be to delay the first triggering of the threshold agreements; there was a danger of two triggerings in April. However, the subsidies could reduce the RPI by only 1 per cent and it would be necessary to look for other ways to moderate or at least to delay increases in the cost of living. In presenting these measures to the public, Ministers would have to make it clear that they could do no more than moderate the price increases which would otherwise have taken place. It would be rash to set any particular target, as economists differed widely in their judgements about the rate of price increases that could be expected over the next few months. In the longer run there was still the possibility of downturn in commodity prices.

The following points were made in further discussion -

a. It was illogical to deal separately with the milk subsidy, which should now be treated as a consumer subsidy like the rest. If the milk subsidy were brought within the Bill it would be necessary to raise the financial ceiling to accommodate it.

b. Although the whole Bill should apply to Northern Ireland it would be reasonable to make the Northern Ireland Executive responsible for the powers in ii., iii. and v. of the statement by the Secretary of State for Prices and Consumer Protection.

c. Although the existing Price Code exempted steel because of our obligations under the European Coal and Steel Community, it would be desirable if possible to control steel prices, particularly the price of tinplate which featured heavily in consumer expenditure.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the Secretary of State for Prices and Consumer Protection should set in hand urgently the preparation of a Bill on the lines proposed in her paper, with the addition of an enabling clause for the abolition of the Pay Board. She should consult further with the Chancellor of the Exchequer and the Minister of Agriculture, Fisheries and Food about the inclusion of the milk subsidy; and with the Secretary of State for Northern Ireland about the powers to be assigned to the Northern Ireland Executive. It would also be helpful if she would circulate a note to her colleagues giving the answers to questions that they might be asked about the proposals: in particular, why there were to be no subsidies on meat, chicken, or fish. It would be desirable to re-examine the policy on price control and subsidies during the summer in the light of the movement of commodity prices.
The Cabinet -

Took note with approval of the summing up of their discussion by the Prime Minister and invited the Secretary of State for Prices and Consumer Protection to be guided accordingly.

7. The Cabinet had before them a memorandum by the Secretary of State for Social Services (C(74) 6) about the 1974 uprating of social security benefits.

THE SECRETARY OF STATE FOR SOCIAL SECURITY said that the Government were committed by the Election Manifesto to increase pensions to £10 for single people and £16 for married couples. At the time when her memorandum had been circulated two points had been outstanding - the method of financing the uprating and the date from which the increases should be implemented. On the first point, she had now been able to reach agreement with the Chancellor of the Exchequer. For reasons of demand management he had found it necessary, despite the substantial surplus at present in the National Insurance Fund, to seek substantial increases in contributions. Agreement had been reached on arrangements which would protect the least well paid by imposing progressively heavier burdens on the better off. There would be a substantial increase in the flat rate contribution payable by employers. So far as employees were concerned, the flat rate contribution would be reduced but there would be substantial progressive increases in the earnings related contributions. The overall effect was that the contributions payable by those earning less than £25 a week would be slightly reduced while the contributions payable by those earning more than that amount would be progressively increased by amounts rising to a maximum of 57p at the proposed new earnings ceiling of £62 a week.

So far as the date of implementation was concerned, it was important, in view of the Manifesto commitment, that there should be no avoidable delay. The earliest date which was administratively possible was 22 July, and this should be accepted as the objective. The Social Policy Committee of the Trades Union Congress (TUC) had, at a recent meeting with her, indicated that they hoped for implementation in April; and deferment until October, which was the date preferred by the Chancellor of the Exchequer, would cause great disappointment. In the interests of early implementation she had decided not to propose increases in a number of benefits which were urgently in need of review. But in its progress through the House of Commons the Bill would be open to amendment to secure improvement in these benefits, and it might be difficult to resist
such amendments except on the ground that the Bill had been drafted in such a way as to make possible implementation at the earliest possible date. Moreover, deferment of the operative date until the autumn would mean that by October 1975 pensioners would be little better off under the Government's scheme than they would have been under the proposals put forward in the Conservative Party's Election Manifesto, which involved six-monthly uprating.

In discussion, it was argued that in order to protect those who had low incomes but did not qualify for supplementary benefit, it would be necessary to make improvements in the rent and rate rebate schemes; and this would represent a further significant net addition to public expenditure. A still further addition, of the order of £80 million, would come from the payment later this year of the £10 Christmas bonus to the continuance of which the Labour Party had committed itself.

In further discussion, it was argued that there were strong financial reasons for preferring implementation in October. The extra cost of implementation in July was very considerable - it would in fact be the equivalent of an addition of about 1p to the standard rate of income tax. Uprating would moreover have an unfavourable effect on the retail price index, which it was desirable to defer as long as possible. It also could not be overlooked that it might well prove impossible in the event of an uprating in July to hold the position that there should be no further uprating until October 1975. The position was made all the more difficult by the additional expenditure arising from the Christmas bonus and likely changes in the rent and rate rebate schemes. There was in fact no commitment to implementation before the autumn; and although there would no doubt be disappointment that immediate implementation was administratively impossible, it was doubtful whether October would produce a significantly more unfavourable reaction than July. An interim date however - for example, 1 September - had little merit: its financial benefits would be relatively small, but it would not be early enough to satisfy those wanting very rapid implementation.

On the other hand, it was argued that the uprating of pensions had been firmly identified as the Government's first priority. The fact that it was to be put into effect at the earliest moment which was administratively possible would be of great help in the discussions with the TUC on voluntary arrangements for dealing with pay; and it would make easier the continuance of the Pay Board until a satisfactory agreement had been reached on voluntary arrangements. Moreover, the possibility of an early Election made it very desirable that the Government should be able to show that they had acted as rapidly as possible to give effect to their undertaking to increase pensions. In any event it was publicly known that implementation by the end of July was administratively possible; and there would
be great difficulty in explaining the reasons for any delay beyond that date. If, however, 22 July were to be achievable, an immediate decision was needed because the necessary arrangements would have to be put in hand at once.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet approved the proposals which had been worked out for financing the proposed uprating of pensions and congratulated the Ministers concerned on the ingenious solution which had been found. As regards timing, the Cabinet agreed on balance that the new rates should be payable from 22 July rather than from a date in October, in view particularly of the assistance that an early date would give to the discussions with the TUC on voluntary arrangements for pay. But the Cabinet recognised that implementation in July might oblige the Chancellor of the Exchequer to seek a higher increase in taxation and greater reductions in some areas of public expenditure than would otherwise have been necessary; and he was entitled to expect co-operation from his colleagues if further expenditure reductions in fact proved necessary. The Cabinet's decisions would be announced by the Chancellor of the Exchequer in the context of the Budget; and the Secretary of State for Social Services should put in hand the steps needed to secure implementation on 22 July, including the preparation of legislation.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
TUESDAY 19 MARCH 1974
at 10.30 am

PRESENT
The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and
Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon James Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home
Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and
Science

The Rt Hon John Morris QC MP
Secretary of State for Wales
The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Frederick Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Samuel Silkin, QC MP
Attorney General
(Item 2)

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr P Benner (Item 1)
Mr J A Hamilton (Item 2)
Mr R L Baxter (Item 2)

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Item     Subject                              Page
1        PARLIAMENTARY AFFAIRS              1
         Beaverbrook Newspapers Limited             1
2        DISCUSSIONS WITH THE TRADES UNION CONGRESS 1
1. THE PRIME MINISTER said that the Cabinet would wish to congratulate the Ministers who had spoken in the previous day's Debate about the economic situation on the successful outcome.

The Cabinet considered the best method for informing Parliament of the present position in relation to the intention of Beaverbrook Newspapers Limited to cease publication in Scotland at the end of March.

THE PRIME MINISTER, summing up a brief discussion, said that although there were longer term questions which would need attention, the immediate issue was the prospect of early closure and the loss of jobs which would thus be caused. Private Notice Questions would no doubt be put down and would probably be accepted by the Speaker; but it would be preferable that a very early Ministerial statement should be volunteered. It should be made in the House of Commons by the Secretary of State for Trade and its terms should be agreed with the Secretaries of State for Employment, for Prices and Consumer Protection and for Scotland, and with himself.

The Cabinet -

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

2. The Cabinet considered a memorandum by the Secretary of State for Employment (C(74) 7) on the handling of the discussions with the Trades Union Congress (TUC).

THE SECRETARY OF STATE FOR EMPLOYMENT said that the TUC were ready to have a top-level meeting with the Government. In order to avoid an adverse reaction, the Government should not try to concentrate at the meeting on the search for a voluntary incomes policy but should discuss the whole range of Government policies and priorities and the views now expressed in the TUC's Economic Review. The meeting should aim to reach a general agreement on the Government's social and economic approach, leaving the detailed discussions on specific elements of the social contract to individual contacts between the TUC and the Ministers responsible. Within that context he would arrange separate informal meetings with the TUC on the establishment of voluntary
arrangements for pay. Meanwhile he would like to proceed urgently with the preparation of a Bill to repeal the Industrial Relations Act on the lines that he had set out in a minute to the Prime Minister and certain other members of the Cabinet. The Lord Chancellor and the Secretary of State for Prices and Consumer Protection had offered comments which he would like to discuss with them but he hoped that the Cabinet would give him the authority to set in hand immediately the drafting of the Bill and to submit his proposals in outline to the TUC and the Confederation of British Industry (CBI).

THE PRIME MINISTER, summing up a short discussion, said that the Cabinet agreed that the discussions with the TUC should open with a meeting on the lines proposed in the paper, at which the Government would explain the situation as it appeared to them and would invite the comments of the TUC. He would take the chair himself at that meeting, which he would hold shortly after the Budget. From then onwards the main contacts with the TUC should be through informal meetings with Departmental Ministers. It would be wrong to start a series of formal top-level discussions with all the attendant publicity. As regards the Bill to repeal the Industrial Relations Act, the Cabinet would like an opportunity to consider it later in the week on the basis of a Cabinet paper to be circulated by the Secretary of State for Employment. Ministers who wished to offer comments should send them to the Secretary of State for Employment, with copies to the rest of the Cabinet. Meanwhile the Secretary of State for Employment had authority to set in hand the drafting of the Bill but should not submit proposals to the TUC or the CBI pending discussion by the Cabinet.

The Cabinet -

Took note with approval of the summing up of their discussion by the Prime Minister and invited the Secretary of State for Employment to proceed accordingly.

Cabinet Office
19 March 1974
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 21 MARCH 1974
at 10.45 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales
The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal

THE FOLLOWING WERE ALSO PRESENT

- The Rt Hon Samuel Silkin QC MP
  Attorney General (Items 5 and 6)

- The Rt Hon Ronald King-Murray QC MP
  Lord Advocate (Item 6)

- The Rt Hon Robert Mellish MP
  Parliamentary Secretary, Treasury

- The Rt Hon Fred Mulley MP
  Minister for Transport (Items 2 and 4)

SECRETARIAT

- Sir John Hunt
- Mr P D Nairne (Items 1 and 2)
- Mr H F T Smith (Items 1 and 2)
- Mr P Benner (Items 1-3)
- Mr J A Hamilton (Items 4, 5 and 6)
- Mr J Anson (Item 4)
- Mr H F Ellis-Rees (Item 5)
- Mr R L Baxter (Item 6)

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1. **THE HOME SECRETARY** referred to the statement he had made to the House of Commons the previous evening about the attack on Princess Anne and Captain Phillips. Those who had been injured in the incident were now reported to be out of danger, and the assailant, who had three minor previous convictions for burglary and receiving, was being charged with attempted murder. There were so far no signs that he had any political motivation or any connection with other persons or organisations. His intentions appeared to have been to kidnap for ransom; but there were some indications of mental abnormality. The Queen was being kept in touch by telephone to Indonesia, and he would be preparing a written report to await her on her return to this country. There was no indication of any lapse in security, but a full inquiry would be held, necessarily in secret, to see what lessons could be drawn from the incident and whether any tightening up in security arrangements was necessary. He would make a further statement in the House of Commons later in the day, though, since the case was sub judice, it would necessarily have to be in guarded terms. For the same reason special confidentiality attached to the information which he had given to the Cabinet.

**THE PRIME MINISTER**, summing up a brief discussion, said that it was satisfactory that no lives had been lost and that there was no evidence of political motivation. The Cabinet noted the steps taken by the Home Secretary, and agreed that messages of sympathy should be sent from the Government to the Princess and her husband and to those who had been injured while seeking to defend them. It would be important to continue to handle the matter in such a way as to minimise unfavourable political reactions from sections of opinion especially concerned with the law and order issue.

The Cabinet -

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

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

Rate Support Grant

It was reported that there might be difficulty in securing Parliamentary approval to the Rate Support Grant Order for England and Wales, which was to be discussed on 25 March. The constituencies of a number of Government supporters had been adversely affected by the proposed changes in the distribution of the domestic element of rate support grant. Many members of the Conservative Party had been similarly affected, and might oppose the Order; and the Liberal Party had already declared their intention of doing so. It was important that all members of the Government, including junior Ministers, should be present and vote unless they were paired. In the present evenly balanced state of the Parties, it was essential that pairing arrangements should always be made through the Whips; informal arrangements made on a personal basis would no longer be adequate. The Whips would of course bear in mind the political importance of Ministers being able to accept engagements outside London during the week; but priority must be given to protecting the Government's position in Parliament.

Motor Vehicles (Speed Limits on Motorways) (Amendment) Regulations

It was reported that the Motor Vehicles (Speed Limits on Motorways) (Amendment) Regulations, which would require Affirmative Resolution, were to be considered on 28 March. They would increase the speed limit on motorways to 70 mph from the present level of 50 mph, but would not disturb the 50 mph limit on other roads. It had become necessary to act quickly to end the danger to motorway users caused through the increasing tendency to ignore the 50 mph limit. The Regulations would be made later that day and laid on the following day. The new arrangements were, however, an interim measure and it was the intention, as soon as it was agreed that fuel supplies permitted, to remove the 50 mph limit on all roads.
3. The Cabinet had before them a memorandum by the Secretary of State for Social Services about charges for family planning (C(74) 9).

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the previous Government had made plans for introducing a comprehensive family planning service provided through clinics, hospitals and general practitioners, with contraceptive drugs and supplies being subject to the ordinary prescription charges. This raised an immediate problem. On 1 April, as a result of the reorganisation of the National Health Service, all clinics would be transferred to Area Health Authorities; and the application of the previous Government's proposals would mean that charges for contraceptive supplies would then become payable even at clinics in the areas of those local authorities which at present were levying no charges for family planning. There were about 30 such areas, mainly Labour controlled. Such a situation would be totally unacceptable politically, and it was doubtful whether the Regulations which would have to be made would secure Parliamentary acceptance. She therefore proposed that no charges should be made for family planning services provided through clinics after 1 April. The additional cost in England and Wales would be in the region of £½ million.

It seemed clearly right that a comprehensive family planning service should be provided. This would require the participation of general practitioners and hospitals. Modifications would in consequence be necessary in general practitioners' contracts. Suitable new arrangements had been negotiated and she proposed that they should forthwith be submitted for pricing to the Doctors' and Dentists' Review Body (DDRB). Provision had been made by the Public Expenditure Survey Committee (PESC) for additional expenditure of £5 million a year arising from the recommendation to be made by the DDRB; but the claim submitted by the general practitioners would imply annual expenditure of about £20 million. She would therefore make clear that it would not be possible to authorise the participation of general practitioners in providing family planning services if the cost were greater than could reasonably be accepted in present circumstances. PESC provision had also been made for the expenditure of an additional £12 million a year on contraceptive supplies, of which it had been assumed that £2 million would be recovered through prescription charges. It would however be embarrassing politically and anomalous in practice to levy prescription charges on contraceptives supplied through general practitioners and hospitals but not on those supplied through clinics; and she therefore proposed that no charges should be levied in the former cases. The cost of such a concession in 1974-75 would be trifling; in 1975-76 it would be about £1½ million and in the following year about £3 million.
THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet approved the Secretary of State's proposals on the basis that the whole of the additional expenditure would be found from within her Department's existing PESC provision. She should take an early opportunity of making clear publicly that this concession, together with the decision which she and the Chancellor of the Exchequer had already taken to waive prescription charges in respect of children aged 15 and women aged 60-65, represented all that the Government could at present do in the area of prescription charges. If she wished to refer to the decision on charges for family planning in replying to the Parliamentary Questions which had been put down for answer during the following week, the terms of the replies should be agreed with the Chancellor of the Exchequer. Procedurally it was important that the rules set out in paragraph 7 of C(P)(74) 1 regarding the discussion with the Treasury of all proposals involving expenditure before circulation to the Cabinet should be carefully observed; and also that any manpower implications should be specifically indicated.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Secretary of State for Social Services to be guided accordingly.
4. The Cabinet considered a memorandum by the Secretary of State for the Environment (C(74) 8) about the Channel Tunnel project. They also had before them a memorandum by the Central Policy Review Staff (CPRS) on the same subject (C(74) 12).

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the Channel Tunnel scheme had been initiated by the previous Labour Administration. In Opposition, they had not opposed a Tunnel in principle, but had criticised particular aspects of the scheme which had evolved, particularly the undue emphasis on road traffic as against through rail services, and the proposals for the terminal at Cheriton. They were therefore already committed to a fundamental reappraisal of the project, and on this he agreed with the CPRS, although he did not agree with their particular suggestion regarding consultants. Phase II of the project provided an opportunity for the project to be reassessed, and there would be relatively little financial difference between the cost of abandoning the project now or at the end of Phase II. He proposed therefore that Phase II should be allowed to continue, but that it should be accompanied by a review of a more fundamental character than had been proposed by the previous Government, and that there should meanwhile be no commitment to Phase III. He also proposed that, in order to keep options open, the necessary legislation should be introduced.

In discussion, it was argued that an economic case for the Channel Tunnel project had not yet been made out. During the next few years, while we were still awaiting the benefits of North Sea oil, productive investment ought to be given priority over investment of this kind. There were particularly strong objections to the proposed Cheriton terminal, and to the bias in the present scheme in favour of road traffic; and it was disturbing to note from paragraph 7 of C(74) 8 that only minor modifications to the scheme now seemed possible. The benefits which the project was claimed to confer on other regions were also extremely questionable: it seemed more likely in practice to divert environmental expenditure from other regions to the South East. It would be easier to stop the project at a stage when there was no appreciable amount of employment at risk. Experience of other major projects had shown how easily, as a project gathered momentum and vested interests built up, non-commitment could drift into commitment. The cost of allowing the Phase II studies to continue was not negligible; and there might also be difficulty in finding Parliamentary time for legislation which was not of the highest priority. It would appear inconsistent to allow this project to continue when other major projects were being completely halted. There appeared to be a strong case, therefore, for abandoning the project now. If not, all further expenditure on it should be frozen until a full reassessment had been completed with the help of independent consultants.
On the other hand, it was argued that the project had been agreed in principle as long ago as 1966. Some development of transport facilities to the Continent would be needed in any event, and the main case for the tunnel had been that it would help to strengthen the British railway system. On these grounds it was strongly supported by the railway trades unions, and an efficient railway system was also important as a support for productive industry. If the project were abandoned now, it would be many years before any similar project could be started; and now that the Treaty had been signed, failure to take steps to ratify it would be equivalent to abandonment of the project. Our present commitment was limited to Phase II, with an option to abandon the project at any time and pay the costs which had been incurred up to that point. The example of Maplin had already demonstrated that it would be possible to cancel later on if the review showed this to be the right course. It would be wrong to conclude from paragraph 7 of C(74) 8 that only minor modifications were now possible. Major modifications would probably need to be made, particularly to tilt the balance of the project back towards rail services. The information at present available did not provide a basis for a decision in favour of outright cancellation now. A radical reassessment was required, with which the Treasury and the CPRS might desirably be associated. This should also cover the financial aspects: it might be preferable, for example, to bring the project wholly within the public sector. But the precise extent of our present commitment, and our potential liability to compensate the other partners in the event of abandonment, first needed to be clarified in consultation with the Law Officers. If it was possible to freeze or reduce the expenditure on Phase II while the studies were being completed, this course might have considerable attraction. It was however uncertain whether this would necessarily reduce the ultimate cost, bearing in mind that some of the Phase II work would anyway be required as part of the process of reassessment.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet were not ready to reach a conclusion on whether to abandon the Channel Tunnel project now or to defer a final decision until later in the year. In the light of the discussion, the Secretary of State for the Environment, in consultation with the Law Officers, should circulate a further memorandum for consideration by the Cabinet during the following week. This memorandum should clarify the extent of the existing contractual and Treaty commitments, and the potential liability to pay compensation in the event of abandonment. In particular, it should indicate whether it would be possible to reduce expenditure under Phase II for a few months while the reassessment could take place. It should also deal with the point raised on paragraph 7 of C(74) 8 about the likely extent of
the modifications which might be needed and could be negotiated with the other partners to the project. The Secretary of State should consider further the scope for using independent consultants in the reassessment of the project. He should also discuss with the Lord President and the Chief Whip the problems that would arise in finding Parliamentary time for the necessary legislation. He should further discuss with the Lord President and the Chancellor of the Exchequer what could be said about the project in the Budget statement in advance of a firm decision by the Cabinet.

The Cabinet -

1. Invited the Secretary of State for the Environment, in consultation with the Law Officers, to circulate a further memorandum to the Cabinet, covering the points indicated by the Prime Minister in his summing up.

2. Agreed to resume their discussion during the following week.
5. The Cabinet considered memoranda by the Secretary of State for Industry (C(74) 10) and the Chancellor of the Exchequer (C(74) 13) about the future of the Concorde aircraft project, and a memorandum by the Attorney General (C(74) 14) drawing attention to the legal considerations involved. They also had before them a note by the Secretary of State for Industry (C(74) 15) to which was attached a copy of his statement to Parliament on 18 March.

THE SECRETARY OF STATE FOR INDUSTRY said that he was not at this stage seeking a final decision from the Cabinet about the future of Concorde. His statement in Parliament that week had shown that on any basis of estimating the project was uneconomic; but many of the key figures were uncertain: there were, for example, varying estimates of the operating losses which British Airways would incur and of the number of jobs at stake; the estimates of cancellation costs were minima, with no allowance for any special redundancy measures. But the essential question concerned the political handling of a project for which the responsibility was now shared by four successive Administrations. The Attorney General had drawn attention in his memorandum to the legal risks involved in withdrawing unilaterally from the enterprise. The French Government had already intimated their unwillingness to discuss the option of cancellation unless it were formally proposed to them. They might propose to trade their consent to cancellation for revived British support for the A300B Airbus; or they might wish to continue Concorde as a French project with British firms as sub-contractors. Any proposals of this kind must be treated with the greatest reserve. Above all, however, the Government's commitment to real consultation with the trade union movement would be gravely damaged by a decision to cancel Concorde which gave the trade unions no opportunity to make their views known. Nor had adequate thought been given to the industrial and social consequences of cancellation, which might well be more far-reaching than the official estimates implied. He appreciated the considerations of public expenditure which had led the Chancellor of the Exchequer to urge that the Cabinet should not delay a decision. But it would be impossible to preserve the confidentiality of such a decision in negotiation with the French Government, and once it became known, the Government's credit with the trade unions would be destroyed. He accepted the Law Officers' reservations, as set out in C(74) 14, about having these issues examined by a Select Committee, and was prepared to withdraw this proposal; though he believed that strong pressure might develop for such an arrangement. But the Government must not appear to approach this difficult decision affecting workers' livelihoods, trade union sensibilities and national feelings in an authoritarian or uncaring way. He therefore proposed that a small Ministerial committee be set up to consider and cost all the
alternatives, including cancellation and its consequences, and to receive representations from interested outside bodies; that he should now hold discussions with the French Government and probe their attitude to all the available options; and that a final Cabinet decision be reached and announced, if possible by agreement with the French Government, by early May.

THE CHANCELLOR OF THE EXCHEQUER reminded his colleagues that the economic arguments for cancellation were overwhelming. Although the current estimates might be challenged in detail, the orders of magnitude were sufficiently established: it would be impossible to avoid very heavy losses on the production, sales and operation of Concorde. On the other side, it was important not to overestimate the effects of cancellation on employment: the cancellation of military aircraft projects in 1965, for instance, had involved a total workforce of about 28,000, few of whom in the event had become redundant. There was force in the view that the skills of the Concorde workforce should be put to better use in the national interest. The social and regional consequences of cancellation, and the special measures that might be needed to deal with the particular problems of the Bristol area, might be examined by an interdepartmental group of officials. But though further consultation might be necessary before a final decision was reached, the Government should not put into commission its responsibility for taking that decision; and he urged his colleagues at least to settle that cancellation was their ultimate objective. It would be dangerous to open negotiations with the French Government without a firm end in view. Nor need we suppose that the French Government's public support for the project was monolithic: he had reason to believe that there were strong pressures in favour of cancelling in 1964 and that these still existed. He therefore suggested that he should be authorised to say in his Budget speech that while decisions on the existing development and production programmes would remain to be taken after consultations with the French and other interested parties, the Government had decided not to authorise any additional development or production.

THE ATTORNEY GENERAL said that the Law Officers were giving urgent consideration to the extent of the United Kingdom's commitment (if any) to the French Government under the 1962 Treaty and to the legal considerations that should be borne in mind in negotiating with the French Government about the Concorde project, and hoped to be able to give an early Opinion. Had this been a project in which the United Kingdom alone were concerned, he would have much sympathy with the Chancellor of the Exchequer's proposal for an early decision in principle; but we were in partnership with the French, and might have to pay a heavy cost for
unilateral action to withdraw. It was therefore of great importance that nothing be said publicly or in negotiations with the French Government which could commit the Government to any particular view of the legal position or prejudice a contention which they might in due course wish to advance. The Law Officers were likely to advise that if the United Kingdom were to withdraw from the project against the wishes of the French, the extent to which the Government had explained and discussed the position with the French before reaching that decision might be a very important consideration in determining whether they were legally justified in their action: it would therefore be imprudent for the Government to announce a decision to cancel without first having agreed all the relevant facts and explored bona fide with the French Government all the possible courses of action short of cancellation. If in following this course the possibility of cancelling the project, or suspending work on it, were to emerge as a clear option, a refusal by the French to entertain this would work to our advantage. But there would be grave risks in the United Kingdom starting negotiations on the basis of a unilateral decision to withdraw from the project, and he could not recommend such a course to his colleagues.

In discussion there was general agreement that a decision about the project's future must await further consultation and study. Leaders of the trade unions concerned, and civil authorities had already expressed their desire to make representations to the Government; and it would be unacceptable to cancel the project without having fully examined the social and economic consequences. It might prove necessary, despite the general objections to such a course of action, to establish a special redundancy scheme, at a cost of some £20 million, for the workers involved, and the co-operation of the trade unions would be essential to its success. At the same time, the Government should beware of letting the opportunity to cancel the project slip through their fingers. It could not be expected that such a decision would be welcomed on all sides, and it would need a strong and determined effort by the Government to carry it through. Nor would it be desirable to solve the problem of Concorde at the cost of leaving the aircraft industry at its present size. Rationalisation of the industry at any time was bound to be a painful process; and in this respect there might be a real opportunity to turn the cancellation of Concorde to wider advantage.

In further discussion it was suggested that the French Government might decline to consider the option of cancellation unless the United Kingdom were prepared to consider their proposal for further development of the aircraft and additional orders. In the interests of negotiation it would hardly be possible to refuse this, and it would be important to ensure that the impression was not conveyed in the Budget statement that the Government had refused to consider this option. But in theory at least that option was not closed by the form of words proposed by the Chancellor of the Exchequer in C(74) 13.
THE PRIME MINISTER, summing up the discussion, said that although the current of most of the Cabinet's discussion was towards cancelling Concorde, they agreed that it would be inappropriate to reach a definite decision at this stage. The Secretary of State for Industry should open discussions with the French Government at the earliest opportunity; and he should be supported by legal as well as other advisers. The Chancellor of the Exchequer should refer to Concorde in his Budget statement on the lines he proposed. The Cabinet agreed not to pursue the proposal to invite a Select Committee of the House of Commons to consider the project; but the social, industrial and regional implications of cancellation, and its effect on the aircraft industry, should all be further examined before a final conclusion was reached. It would be convenient for these tasks to be undertaken by interdepartmental groups of officials. These should report to a small Ministerial committee which would supervise the negotiations, consider representations from the trade unions and other interests concerned, and prepare a report on the whole position for submission to the Cabinet by the beginning of May.

The Cabinet -

1. Invited the Secretary of State for Industry, in consultation with the Foreign and Commonwealth Secretary and the Law Officers, to open consultations with the French Government about the future of the Concorde aircraft project in the light of their discussion.

2. Instructed the Secretary of the Cabinet to arrange for interdepartmental groups of officials to examine urgently the social, industrial and regional consequences of a decision to cancel Concorde, and the effect that such a decision would have on the size and shape of the United Kingdom aircraft industry.

3. Agreed that a Committee of Ministers should be established to supervise the negotiations with the French Government, receive reports from the interdepartmental groups of officials, consider representations from the trade unions and other outside bodies, and prepare a report on all aspects of the project for the Cabinet by the beginning of May.

4. Authorised the Chancellor of the Exchequer to refer to Concorde in his Budget statement in the terms proposed in C(74) 13.

5. Took note that the Law Officers were to prepare an Opinion on the matters referred to in C(74) 14.
6. The Cabinet had before them a memorandum by the Secretary of State for Employment (C(74) 11) on the repeal of the Industrial Relations Act.

THE SECRETARY OF STATE FOR EMPLOYMENT said that it was of paramount importance to put the proposals in his memorandum to the Trades Union Congress (TUC) and the Confederation of British Industry (CBI) on 22 March. They did not at any point go beyond what had been agreed between the Labour Party and the TUC. He had discussed the provision for picketing with the Home Secretary and he had discussed with the Lord Chancellor the transitional arrangements for disposing of the remaining cases before the National Industrial Relations Court. He had altered his proposals in the light of their comments and was prepared to consult further with Ministers who had raised points on his paper. He had already had to postpone the submission of his proposals to the TUC and the CBI and a further postponement would be difficult to explain. He hoped that he might have authority to send them his proposals immediately.

In discussion it was argued that both the transitional provisions and the provisions for picketing raised important problems that had not yet been resolved between Ministers. The provisions for picketing in particular ought not to be decided without discussion in Cabinet, for which there was no time at that meeting.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet did not have time for a full discussion of these issues at their present meeting. On the other hand the Government had suffered in 1969 through entering into discussions with the TUC without adequate discussion in Cabinet. Furthermore there was always a risk that proposals put to the TUC would not remain secret. There was urgency in this case and he would therefore hold a meeting later that day with the Secretary of State for Employment, the Lord Chancellor, the Attorney General, the Lord Advocate, and the Secretaries of State for the Home Department, the Environment and Social Services. The group would give authority to the Secretary of State to send the proposals to the TUC and the CBI and would report their conclusions to the full Cabinet on 25 March.

The Cabinet -

Took note with approval of the summing up of their discussion by the Prime Minister.

Cabinet Office

21 March 1974
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
MONDAY 25 MARCH 1974
at 11.30 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer
(Item 1)

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment (Items 1 and 2)

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services (Items 1 and 2)

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales
SECRET

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal

ALSO PRESENT

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr J A Hamilton (Items 2 and 3)
Mr R G S Johnston (Items 2 and 3)

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1. THE CHANCELLOR OF THE EXCHEQUER communicated to the Cabinet particulars of the proposals in the forthcoming Budget.

In accordance with precedent, details are not recorded in the Cabinet Conclusions.
2. THE PRIME MINISTER said that four main points had been agreed at the meeting he had held on 21 March to discuss the repeal of the Industrial Relations Act.

i. Picketing

The note which the Secretary of State for Employment had sent to the Trades Union Congress (TUC) referred in positive terms to the right of peaceful picketing and the rights of pickets to communicate with occupants of vehicles for purposes of peaceful persuasion, without quoting the law of obstruction. Regulations on picketing would be drawn up and published before the Bill to repeal the Act received the Royal Assent and the Secretary of State would indicate, during the passage of the Bill, the content of the Regulations. The note cited the example of the orderly picketing conducted by the National Union of Mineworkers during their recent strike.

ii. Legal Immunities

The Bill would extend protection to persons inducing breaches of commercial contracts. Although this proposal was controversial, it could be justified by reference to a recommendation of the Donovan Commission.

iii. The Closed Shop

There was a strong case on merits for safeguards for the individual against arbitrary exclusion or expulsion from a trade union, on the lines recommended by the Donovan Commission. These safeguards however could not be included in the Bill itself; the note for the TUC stated, therefore, that the Government would consider them later.

iv. The National Industrial Relations Court

The TUC would be asked to agree to the proposal that unfinished cases before the National Industrial Relations Court (NIRC) should be transferred to the High Court or the Court of Session. The Attorney General's suggestion that cases which were still pending should be made subject to the pre-existing law would be looked at further and would not, in the meantime, be mentioned to the TUC.

In discussion, it was argued that the rights of pickets to stop vehicles would be subject to critical scrutiny in Parliament; it would be necessary to emphasise that the reference to the Trade Disputes Act 1906, excluded the picketing of homes, and that it was proposed to control the number and identification of those engaged
in picketing. It would be necessary to ensure that safeguards for the individual against arbitrary exclusion were not to be confined to trades unions, but would extend to professional bodies, such as those concerned with the medical and legal professions.

THE PRIME MINISTER, summing up the discussion, said that the revised proposals for amending legislation had been given to the TUC and Confederation of British Industry (CBI) on 22 March and published in the official report for that day. The Secretary of State for Employment would wish to be guided by the points made in discussion in his further talks with the TUC and CBI.

The Cabinet -

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

EUROPEAN COMMUNITY

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Agricultural Prices

3. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that he had attended in the previous week a meeting of the Council of Ministers (Agriculture) in Brussels to discuss prices for 1974-75 under the Common Agricultural Policy (CAP). After lengthy negotiation, agreement had been reached on a package of proposals which included special arrangements to meet our requirement to avoid increases in prices of basic foodstuffs in the shops. These discussions had of course been in advance of and without prejudice to the major question of renegotiation of our terms of entry but in seeking to secure solutions to our special problems much goodwill and sympathy had been shown for the British position by the Commission and other members of the Council.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet would wish to congratulate the Minister of Agriculture on the successful outcome of the meeting.

Cabinet Office

25 March 1974
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 28 MARCH 1974
at 11.00 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council
(Items 1-4)

The Rt Hon Lord Elwyn Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and
Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon James Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs (Item 1)

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services
(Items 1-4)

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and
Science

The Rt Hon John Morris QC MP
Secretary of State for Wales

The Rt Hon Frederick Peart MP
Minister of Agriculture, Fisheries and
Food

The Rt Hon Lord Shepherd
Lord Privy Seal
THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Samuel Silkin QC MP
Attorney General (Items 2 - 5)

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

The Rt Hon Fred Mulley MP
Minister for Transport (Item 5)

SECRETARIAT

Sir John Hunt
Mr P D Nairne (Items 1 and 2)
Mr H F T Smith (Item 1)
Mr P Benner (Items 3 and 4)
Mr J A Hamilton (Item 5)
Mr H F Ellis-Rees (Item 5)
Mr D Evans (Item 2)

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1. The Cabinet considered their policy towards Chile. Their discussion and the conclusions reached are recorded separately.

2. The Cabinet considered a memorandum by the Foreign and Commonwealth Secretary (C(74) 17) covering a draft statement which he proposed to make at the meeting of the Council of Ministers (Foreign Affairs) on 1 April.

The Prime Minister said that the final text of this statement could not be settled in the absence of the Foreign and Commonwealth Secretary who had left the meeting to see Dr Kissinger. But provided the Cabinet were content with the broad substance he would discuss any drafting amendments with the Foreign and Commonwealth Secretary later in the day.

In discussion a number of amendments to the draft statement were proposed. It was suggested that the passage referring to access for Commonwealth supplies should bring out the Government's concern over the position of those Commonwealth countries which were not eligible for association with the European Community. There could be advantage if this passage also differentiated between the needs of the temperate and the developing suppliers if this did not necessitate undue drafting changes. When we came to consider our negotiating aims in this field it would, however, be necessary to examine carefully the short and long term supply prospects for the crops in question. It was also argued that the final paragraph of the draft statement might be inconsistent with the undertaking given in the Labour Party Manifesto that whilst negotiations were in process the Government would stop further processes of integration.

The Prime Minister, summing up the discussion, said that the Cabinet was agreed that the Foreign and Commonwealth Secretary should state our approach to re-negotiation to the Council of Ministers on 1/2 April on the general lines proposed. He would discuss with the Foreign and Commonwealth Secretary drafting changes in the light of the Cabinet's comments. More generally, it was important that Ministers should be consistent in their instructions to officials on participation in the continuing business of the Community and that any doubtful cases should be referred to the Ministerial Committee on European Community Questions.
The Cabinet -

1. Took note with approval of the Prime Minister's summing up of the discussion.

2. Invited the Foreign and Commonwealth Secretary at the meeting of the Council of Ministers on 1/2 April to make a statement of the Government's approach to re-negotiation and to arrange for the text to be published as a White Paper.
The Cabinet -

1. Took note with approval of the Prime Minister's summing up of the discussion.

2. Invited the Foreign and Commonwealth Secretary at the meeting of the Council of Ministers on 1/2 April to make a statement of the Government's approach to re-negotiation and to arrange for the text to be published as a White Paper.
The Cabinet were informed of the business to be taken in the House of Commons during the following week. Subject to the progress of business, it was intended that the House should rise for the Easter adjournment on 11 April and resume on 29 April.

It was reported that a Private Member's Motion of no confidence in the Government was due to be discussed on 5 April. The best tactics would be to treat it with contempt by seeking to have it talked out or, if Mr Fell, the Member concerned, could muster sufficient support to carry the closure Motion, by completely abstaining from opposition.

THE PRIME MINISTER said that the Government had made a satisfactory start and was in good standing with the public, who did not want an early general election. The previous day's discussions with the Trades Union Congress had gone well, despite the misleading reports which had appeared in certain sections of the Press. But all policy proposals, including proposals for legislation, must be considered against the background that this was not a Government which had a firm Parliamentary majority and could look forward to a long tenure of office, and that a relatively early general election must be regarded as likely, though if possible at a time of the Government's own choosing. In view of this, it was important that early progress should be made in developing those aspects of Government policy which would be of particular electoral importance: one of these was mortgage finance and relations with the building societies, to which urgent attention should now be given by the Chancellor of the Exchequer and the Secretary of State for the Environment. It was however also highly desirable that the legislation repealing the Industrial Relations Act should have reached the Statute Book before a general election took place.

The Cabinet -

Took note, with approval, of the Prime Minister's statement.
4. The Cabinet gave further consideration to the arrangements for the 1974 uprating of social security benefits.

THE LORD PRESIDENT OF THE COUNCIL said that it was proposed to take all stages of the National Insurance Bill in the House of Commons in one day during the week beginning 8 April and that the Bill must therefore be published on 29 March. It had been agreed by the Ministers concerned that the Bill should require the 1975 uprating to take place on the basis that pensions would be kept in line with average national earnings; but they had not yet been able to agree on the provisions to be made for the timing of that uprating. The present law provided for uprating to come into effect not before 15 November and not after the end of December. The Secretary of State for Social Services, for good political and presentational reasons, argued that the 1975 uprating should come into effect not later than the end of July in that year; but the Chancellor of the Exchequer, again for good reasons, preferred a later date.

In discussion, it was argued that the Labour Party was firmly committed to the principle of annual reviews. The amount of the 1974 uprating, which the Cabinet had approved on 14 March, was related to a 12-month period only; and therefore any suggestion that it would be expected to cover a longer period, of up to 16 months, would lead to charges of bad faith and provoke serious alarm amongst Government supporters. There would also be a strong possibility of Opposition amendments, which it would be very difficult to resist, providing for uprating at 6-monthly intervals. If such amendments were pressed the Government might have either to give way or to risk defeat; and either course would go a long way towards dissipating the goodwill which had accrued from the Government's prompt action to give effect to their undertaking that pensions would be increased as a matter of top priority. It would be possible to return to an autumn uprating in 1976 by ensuring that the amount of the 1975 uprating was sufficient to enable it to last for more than 12 months.

As against this, it was argued that a July uprating greatly limited the Chancellor of the Exchequer's room for manoeuvre in relation to the timing of the budget, because the administrative arrangements needed to give effect to an uprating by the end of July were so complex that a decision had to be taken and announced in March. An alternative course would in theory be to announce the amount of the uprating in advance of the budget statement; but this would be undesirable because it would not be possible to announce at the same time how the additional expenditure was to be met; and this would be liable to have serious adverse effects on confidence. A better course, which would preserve the
maximum freedom of action for the Government, might therefore be for the Bill to provide that the 1975 uprating would come into effect not later than the end of November, but that, if it were later than the end of July, arrangements would be made to ensure that pensioners did not suffer financially as a result.

THE PRIME MINISTER, summing up the discussion, said that, although there were strong arguments in both directions, the Cabinet agreed that it was on balance preferable that the National Insurance Bill should provide for the 1975 uprating to come into effect not later than the end of July 1975. The provision should apply only to that individual uprating, leaving the way open for a subsequent return to autumn upratings. The detailed arrangements for announcing the amount of the 1975 uprating, the method of financing it and other related matters should be settled at the time by the Ministers concerned.

The Cabinet –

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

2. Invited the Secretary of State for Social Services to arrange for a provision to be included in the National Insurance Bill on the lines indicated in the Prime Minister's summing up.
The Cabinet resumed their discussion of the Channel Tunnel project. They considered two memoranda by the Secretary of State for the Environment (C(74) 8 and 16), and they also had before them a memorandum by the Central Policy Review Staff (CPRS) (C(74) 12) on the same subject.

THE SECRETARY OF STATE FOR THE ENVIRONMENT recalled that he had been invited to submit further information on a number of issues which had arisen in the Cabinet's discussion on 26 March. His colleagues would doubtless not wish to abandon the position which they had adopted in Opposition, that they were not opposed in principle to a Channel Tunnel, but wanted a re-examination of alternative transport strategies; the question was whether work on Phase 2 of the project (which consisted of digging pilot sections of the service tunnels, completing design work, and negotiating the final financial terms) should be stopped while such a re-examination took place. If that re-examination were to lead to the project being abandoned, the suspension of Phase 2 would have saved a small amount of money; but if the case for the Tunnel were confirmed, to stop and then restart the project - even if that were practicable - would add greatly to the cost. Indeed, the implications of interrupting the work now in progress were such that our partners would probably regard it as tantamount to abandonment, of which the cost to the Government now would be about £8.5 million. On the other hand, there was a specific break at the end of Phase 2, in mid-1975; and even when the Treaty had been ratified, there would be no commitment to proceed beyond this point until a further Agreement (No. 3) was signed. Thus the Government's options would be fully safeguarded if work on Phase 2 were to be continued; and the Law Officers concurred in this view. Although the Tunnel Authority would not be able to discriminate between through rail traffic and vehicle ferry traffic, and the Government would be bound to provide access for both, there was no restriction under any of the Agreements on the Government's discretion to increase rail traffic or to adjust the scale of provision at the Cheriton terminal; and changes in the balance between road and rail traffic would not affect the structure of the Tunnel. The traffic, revenue and financial forecasts which had been published the previous summer would require re-examination in the light of developments, notably the change in the energy situation; work on this was already in hand; the assumptions and methodology would have to be agreed with the two Governments. It would not be practicable for this joint reassessment to be transferred completely to other consultants; but he proposed to employ an outside economist to assist in examining the adequacy of the financial forecasts and would consider further, in consultation with the Chancellor of the Exchequer, the question of an outside assessment of the consultants' views.
As regards the cost of this investment, it must be remembered that traffic with the Continent would continue to grow, and if the Tunnel were not built, more investment must eventually be devoted to the air and sea services in the South East, with their associated roads, ports and airport facilities. These alternatives to the Tunnel would equally involve investment on a very heavy scale. He did not however seek the agreement of the Cabinet to the project as a whole, but simply to the continuance of Phase 2, in order that the options could be kept open while a thorough reappraisal was made. He therefore invited the Cabinet to endorse the conclusions in paragraph 14 of C(74) 8.

In discussion doubts were expressed whether the effect of proceeding with Phase 2 would not, for all the formal safeguards, confer an irresistible momentum in favour of continuing. It was argued that the project in its present form had been opposed by the Government when they were in opposition; and they should be wary of committing themselves to any degree of support for a concept on whose merits neither Parliament nor the country had been invited to pronounce. The requirement for a further reappraisal of the present scheme would do nothing to remove the inflexibility of a fixed cross-Channel link in comparison with investment in other forms of transport, nor to redress the lack of balance in regional investment. On the other hand, it was acknowledged that the Tunnel would help to give effect to the Government's policy for the increased use of rail transport, and should lead to valuable economies in the use of energy; and on financial grounds the arguments in C(74) 16 made a compelling case for completing Phase 2. It was suggested however that the proposed legislation should provide for any decision to go beyond Phase 2 to be subject to specific Parliamentary approval.

THE PRIME MINISTER, summing up the discussion, said that on balance the Cabinet agreed that Phase 2 of the project should continue, subject to a most searching reappraisal of all aspects of the scheme, and on the firm understanding that the Government was completely uncommitted about the future of the scheme. In this reappraisal they attached particular importance to securing a thorough and unbiased assessment of the consultants' views, and the Secretary of State should make arrangements to that end.

The Cabinet -

1. Approved the recommendations in paragraph 14 of C(74) 8, on the understanding that this did not commit the Government to approval in principle of the Channel Tunnel project.
2. Invited the Secretary of State for the Environment, in consultation with the Chancellor of the Exchequer and the Central Policy Review Staff, to arrange for an independent outside assessment to be made of the assumptions and judgments put forward by the consultants to the project.

3. Invited the Secretary of State for the Environment, in consultation with the Lord President of the Council, to arrange for the proposed legislation to include provisions to secure the specific approval of Parliament to any further commitment to the Channel Tunnel project.

Cabinet Office

28 March 1974
NOTE

Circulation of the attached record of Item 1 of CC(74) 7th Conclusions, has been restricted to members of the Cabinet and the Minister of Overseas Development only. It should not be distributed more widely without the prior approval of the Secretary of the Cabinet.
THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS said that the Defence and Oversea Policy Committee had decided on the policy we should adopt towards Chile. Our Ambassador would be instructed to represent to the ruling Junta our concern at the treatment of political prisoners; we would be associated with any future representations to be made by the United Nations; we would adopt a more flexible policy on the admission of Chilean refugees; no new export licences for arms would be granted, but we would honour the existing contracts for the construction of two frigates and two submarines and for the refitting of a Chilean destroyer now in one of our yards; the aid programme would cease, apart from the support of Chilean students coming to Britain and the completion of one or two technical assistance projects. These decisions were to have been announced by him and by the Minister of Overseas Development in answer to Parliamentary Questions the previous day. A misleading article in the Press had, however, so alarmed a number of Government supporters that 90 of them had expressed their concern at what might be announced, and had urged in particular that the warships should not be delivered. He had therefore considered it necessary to amend his proposed reply on this point and instead of announcing that the contracts for the warships would be honoured, he had said that existing contracts were being urgently reviewed. The reply to the Parliamentary Question had been well received on the Government benches but it now remained to reach a decision on the warships in the knowledge that a section of the Parliamentary Party was opposed to delivering them to the Chilean Government. All the contracts had been made and delivery was due to take place this year and next. A considerable number of Chileans were already here in connection with the work; crews were under training and one of the frigates was carrying out sea trials with a Chilean crew. If the transfer was to be prevented the vessels would in effect have to be impounded. This was a step which we had never taken, so far as he knew, except in time of war. The Chilean Government would undoubtedly retaliate.
We must expect our trade to be seriously affected, including our purchases of copper which amounted to 20 per cent of our needs. The consequences might be wider. We had in recent years received orders to supply arms and ships to a number of Latin American countries, including Mexico, Venezuela and Brazil, to a value of £200 million. If we were seen to break contracts some of these orders might well be at risk. While, therefore, he fully understood the views of those who were opposed to delivering the warships, a decision, which would need to be taken as soon as possible, would also need to have regard to the serious consequences for us of a refusal to honour the contracts.

THE PARLIAMENTARY SECRETARY, TREASURY, said that among a section of the Government's supporters there was strong opposition to delivering the vessels. If the Cabinet confirmed the decision of the Defence and Oversea Policy Committee and announced this without first having arranged for some form of consultation with back-benchers, there could well be an embarrassingly hostile reaction. He was in the course of establishing Parliamentary groups on a variety of subjects and he recommended that the Foreign and Commonwealth Secretary and the Secretary of State for Defence should meet the appropriate group before the Cabinet reached a decision.

In discussion it was noted that the last Labour Party Conference had supported the view that there should be no more sales of arms to Chile. It could reasonably be argued that the contracts for the warships should therefore be broken. If the Government wished to honour the contracts it was important that there should at the very least be prior consultation with its supporters. If the considerations were put to them objectively there might well be support for the decision reached by the Defence and Oversea Policy Committee. If, however, the opposition were sufficiently strong, Ministers might come to the conclusion that the contracts should be broken, and the financial penalties and the effect on employment in the shipyards and on present and future trade be accepted. It was recognised that discussion with the relevant group might encourage pressure for discussion in the Parliamentary Party as a whole.

It was argued, on the other hand, that the conclusion reached by the Defence and Oversea Policy Committee was clearly correct, and that the consequences of reversing the decision would be so damaging to the national interest that the decision should be confirmed without delay. It was also suggested that if a Minister were to talk to a Parliamentary group in the absence of a Cabinet decision on policy, both the Minister himself and the Government might find themselves in difficulties. Unless the Minister laid down a clear line of policy he could hardly hope to influence the group. If he laid down a clear line which was not based on a Cabinet decision
We must expect our trade to be seriously affected, including our purchases of copper which amounted to 20 per cent of our needs. The consequences might be wider. We had in recent years received orders to supply arms and ships to a number of Latin American countries, including Mexico, Venezuela and Brazil, to a value of £200 million. If we were seen to break contracts some of these orders might well be at risk. While, therefore, he fully understood the views of those who were opposed to delivering the warships, a decision, which would need to be taken as soon as possible, would also need to have regard to the serious consequences for us of a refusal to honour the contracts.

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and which was rejected by the group he would be personally discredited unless his colleagues subsequently confirmed that line. It would be preferable to face dissent as a result of a Cabinet decision already reached, rather than take a decision following consultation in which the group had rejected a Minister’s proposals. There were objections to asking a Minister to talk to a group on a consultative basis, and it was better that a decision should be taken and that explanation and persuasion should then be used to moderate opposition.

THE PRIME MINISTER, summing up the discussion, said that it was important that Government supporters should not feel that decisions were taken without regard to their views. There had earlier been full opportunity for the Party to express its views on relations with Chile, and there had been very little disagreement on the policy to be followed. The conclusions reached by the Defence and Oversea Policy Committee satisfied that policy to a very large extent, although examination in office of the facts showed that it would not be in our interests to break the existing contracts for the warships. The majority of the Cabinet seemed to share that view but there was no need for the Cabinet to reach a final decision that day. The discussion had however shown the difficulty of finding a form of consultation with the Parliamentary Party which would minimise possible difficulties for Ministers individually and collectively. On balance the Cabinet thought it right to accept the Foreign and Commonwealth Secretary’s offer to explain the matter to a specialist group of Members, using the arguments which led to the conclusions reached by the Defence and Oversea Policy Committees, but without saying that a decision had been reached or appearing to leave the decision with the group. This would be a delicate task and the Foreign and Commonwealth Secretary could be assured that his colleagues would not say anything to make it more difficult. After the Foreign and Commonwealth Secretary had spoken to the Parliamentary group the Cabinet should move as soon as possible to a decision which should be taken in advance of any discussion with the Parliamentary Party as a whole.

The Cabinet -

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

Cabinet Office
28 March 1974
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street on
THURSDAY 4 APRIL 1974
at 10.45 am

PRESENT
The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and
Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Reginald Prentice MP
Secretary of State for Education and
Science

The Rt Hon John Morris QC MP
Secretary of State for Wales

The Rt Hon James Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland
The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal

ALSO PRESENT

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr P D Nairne (Item 3)
Mr H F T Smith (Items 1 and 3)
Mr P Benner (Items 1, 2 and 4)
Mr K R Stowe (Items 2, 4, 5 and 6)
Mr D Evans (Item 3)
Mr J B W Robins (Items 2, 5 and 6)

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1. The Cabinet were informed of the business to be taken in the House of Commons during the following week. It was proposed that all stages of the National Insurance Bill should be taken in the House of Commons on 10 April. It was understood that the Opposition would be moving an amendment providing for uprating at intervals of six months, and it was virtually certain that such an amendment would be carried.

THE PRIME MINISTER, summing up a brief discussion, said that the next step should be for the Chancellor of the Exchequer and the Secretary of State for Social Services, in consultation with the Chief Whip, to consider urgently the feasibility and the financial and other implications of six-monthly upratings and to report their conclusions to the Cabinet at its next meeting. The Lord President should also consider and report to the Cabinet on the scope for procedural measures, which would no doubt include the very restrictive drafting of financial resolutions, to prevent Parliament from forcing on the Government provisions involving unjustified and unacceptable increases in public expenditure.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Ministers concerned to proceed accordingly.

2. THE PRIME MINISTER said that later that day he had to answer Parliamentary Questions about the Government's attitude towards the default by the Clay Cross councillors on the Housing Finance Act. He proposed to give a holding reply. This would indicate that the difficulties had arisen from the unprecedented situation created by the fact that the measures in the Housing Finance Acts were forced upon local government with unreasonable speed. The policy of the Labour Party when in opposition had been that, in the case of Clay Cross only, efforts should be made to secure reimbursement to the councillors concerned for the financial penalties they suffered; but no commitment had been given that this would involve a charge upon public funds. Regarding disqualification generally, the accounts of local authorities were still being examined by the District Auditors in the course of their annual audits, and not until this had been completed would the Government be able to know the full extent of the problem and to make representations to Parliament. It was proposed that in association with this reply a statement should be circulated in the Official Report dealing with the decisions taken and the statements made by the Labour Party when in opposition.
In discussion, it was argued that at this stage a holding reply was the only course which was open. The District Auditors would not have completed their examination of the accounts of all the local authorities concerned until the autumn; and not until then would it be possible to assess either the full financial implications for all defaulting councillors or the scale on which the question of disqualification might arise. At that stage, it would be necessary for policy decisions to be taken; and all the options - including legislation providing for some form of amnesty - would have to be examined. The Labour Party, when in opposition, had given a commitment to remove disqualifications; and there was nothing in the statement which would preclude this. As regards reimbursement, there were strong feelings within the Labour Party in both directions; but many people, including many in the area surrounding Clay Cross, had little sympathy with the Clay Cross councillors, many of whom were regarded as not being supporters of the Labour Party. Any suggestion of the use of public funds might thus arouse considerable resentment. In general, it was important to ensure that the reply could not be interpreted as in any way encouraging disregard of the law.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that a holding reply should be given on the lines proposed. It would, however, be preferable not to circulate in the Official Report the particulars of statements which had been made by present Ministers when in opposition; but the material could be used in dealing with supplementary Questions and other inquiries. The Cabinet also agreed that the reply should specifically indicate not merely that there was no commitment to use public funds for reimbursement but that the Government did not intend that they should be used for this purpose. The reply should also refer specifically to the importance of ensuring that whatever action was finally taken should be fair to the many councillors who had reluctantly implemented the Acts.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.
3. THE FOREIGN AND COMMONWEALTH SECRETARY informed the Cabinet that as agreed at their last meeting he had made a statement at the Council of Ministers (Foreign Affairs) on 1 April 1974 outlining the Government's approach to the renegotiation of our terms of entry to the Community. Although the French Foreign Minister had made a hostile statement and other member Governments had reacted adversely in public, private conversations with some delegations in Luxembourg had revealed willingness to seek a satisfactory solution. Apart from a tendency (particularly in the smaller countries) to emphasise the "European idea", the point to which greatest importance appeared to be attached was the difficulty of any attempt to renegotiate the Community Treaties. The Germans, who were generally inclined to be helpful, had made it clear that they would oppose renegotiation of the Treaties, partly on the practical ground that the changes would have to go through the German Parliament; and partly because such changes would set a precedent for any other country which was dissatisfied with Community arrangements. These reactions confirmed the Government's view that the best approach would be to attempt, if possible, to achieve our objectives by modifying Community policies without changes in the Treaties.

The Foreign Ministers had also discussed political co-operation and particularly relations between the United States and the Community in the context of the dialogue with Arab oil-producing countries. The French Foreign Minister had taken up an isolated position in these discussions, reflecting a basic suspicion of United States motives towards Europe and the French Government's objective of preventing the United States from influencing Community affairs. There would be a further political co-operation meeting early in May; tactically it was advantageous that this meeting would shortly precede the Council at which he was due to table detailed United Kingdom negotiating objectives.

The French Presidential elections might cause some delay in the Community's work and hence in our plans for renegotiation. The first poll in the election was likely to take place either on 28 April or 5 May but if this were to be indecisive (as seemed very possible) a second poll must follow within two weeks. Consequently the Council meeting proposed for 7 May might be postponed. But it was nevertheless important to press ahead with the definition of our renegotiating objectives with a view to tabling them at the next Council meeting.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet noted the report by the Foreign and Commonwealth Secretary on his statement to the Council of Ministers. It was important that the Cabinet should have adequate time to consider
the objectives for renegotiation; it might be appropriate to set aside a whole day or a half day for discussion before the next Council meeting. It would be helpful for the issues first to be considered in detail by the Ministerial Committee on European Community Strategy (ECS) and the Foreign and Commonwealth Secretary would be arranging for comprehensive position papers to be prepared.

The Cabinet -

1. Took note with approval of the Prime Minister's summing up of the discussion.

THE SECRETARY OF STATE FOR INDUSTRY said that he had received a message from the French Minister of Transport to say that he would be unable, in view of the Presidential election, to go ahead with the planned talks on Concorde, and to ask that the British Government should not make public commitments about future policy in the interim. Although work should certainly continue within the British Government in examining and costing the various options there now seemed no possibility of the Cabinet being able to reach a firm decision until after the French election.

The Cabinet -

2. Took note of the statement by the Secretary of State for Industry.
The Cabinet had before them memoranda by the Secretary of State for the Environment (C(74) 20) and the Central Policy Review Staff (C(74) 22) about building societies and housing finance.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that in February the building societies had had a net outflow of funds of about £15 million, while in March the outflow was likely to be between £20 and £40 million. If this trend continued the output of private houses was likely to fall to little more than 100,000 a year. Moreover, the building societies now seriously feared that there might be a collapse of confidence, followed by a run on their funds. The Council of the Building Societies Association (BSA) was meeting on the following Tuesday and, in the absence of any action by the Government, was likely to recommend an increase in the investment rate to 11 per cent and in the mortgage rate to 13 per cent. In his view, such an increase in the mortgage rate was totally unacceptable - it would give a further twist to the price spiral and would have extremely unfavourable political repercussions. To prevent an increase, additional money must be injected into private housing, and this could be done either by tapping new sources of private funds or by a Government subsidy. As regards the former, one possibility, as suggested in the note by officials attached to his memorandum, might be to arrange a rediscounting facility through the Bank of England. This would in effect be a loan which would either be repaid by the building societies when conditions were more favourable or be quickly replaced by a Eurodollar loan, which it might be possible to arrange within a few weeks. But measures of this kind, though useful, would not be regarded as adequate by the building societies and seemed unlikely of themselves to prevent an increase in the mortgage rate. Unwelcome though it was, a direct Government subsidy might therefore have to be considered. The cost of an across-the-board subsidy sufficient to reduce the mortgage rate by 1 per cent would be about £12 million a month gross, and no provision had so far been made in Public Expenditure Survey Committee allocations. If such a subsidy had to be introduced, it should be for a limited period only - say 6 months - during which a high-powered committee should be set up and instructed, as a matter of urgency, to examine radical long-term solutions.

In discussion, it was argued that it was of major political importance to prevent any further increase in the mortgage rate, all the more so in view of the action which had already been taken to freeze rents - it would be disastrous to give the impression that the Government were not concerned to protect owner-occupiers. It was in any event right on merits that very high priority should be given to the housing programme in both the
public and the private sectors. It was, however, doubtful whether an across-the-board subsidy was necessary or desirable. It would not be practicable to insulate owner-occupiers from the market; and in any event they had little cause to complain in view of the appreciation of the value of their asset. Indeed, the rate of increase of the mortgage rate had not in itself been excessive, and the major part of the heavy burden falling on house purchasers was attributable to the increase in house prices. Moreover, an across-the-board subsidy would be very expensive and would destroy the strategy underlying the budget. If, therefore, a subsidy had to be considered, it should be a limited one, restricted to first-time purchasers (at a cost of about £1½ million a month) or possibly to people who had taken mortgages within the last three years. It was, however, doubtful whether even this was necessary. Measures were now being taken to reduce general interest rates and could be expected to produce significant results within the next few months. The problem for the building societies was therefore a short-term one and might be dealt with by some form of rediscounting facility offered by the Bank of England, or by a Eurodollar loan. The latter was almost certainly obtainable and the Government should be prepared to assist and to offer any guarantee which might be needed. If the building societies still found themselves under pressure in the period before general interest rates declined, they might be asked to run down their reserves, with a Government guarantee if necessary. If, even with these measures, the building societies were unwilling to hold their present interest rates, the best course might be to seek to persuade them to limit the increase in the mortgage rate to 12 per cent, but on the basis that for existing mortgages repayments would be held at their present level until the end of the year - a proposition to which it was thought that most of the major societies would agree. Some form of limited subsidy, for example to first-time purchasers, might then have to be considered.

In further discussion, it was argued that the building societies were likely to be sceptical about any decline in general interest rates and therefore be reluctant to hold down their rates. In that event they would have to be told that the Government would make clear that the odium of increased rates rested directly on them. Such a situation would reinforce the case, which was anyway strong, for a thorough-going review of the building societies' organisation and methods, which were becoming increasingly outdated. It was arguable that the banks should play a bigger part in providing finance for housing; and a possible immediate step would be to apply the Price Code much more stringently to the banks so as to give them an incentive to divert a substantial proportion of the very high profits now being earned into financing housing. There was a strong case for setting up a committee as a matter of urgency to go into all these longer-term matters.
THE PRIME MINISTER, summing up the discussion, said that the cost of mortgages and the scale of the house building programme were issues of major political importance which could well determine the outcome of the next election. In the long-term the Government should aim to reduce the mortgage rate, if possible to something below 10 per cent. In the immediate future, however, they must concentrate on preventing any increase. The Secretary of State for the Environment and the Chancellor of the Duchy of Lancaster should have urgent discussions with the BSA and should report the outcome to the Cabinet at their meeting on the following Tuesday. Against the background of the measures being taken to reduce general interest rates, they should offer the BSA assistance with securing a Eurodollar loan, including if necessary a Government guarantee, and with arranging a rediscounting facility with the Bank of England. By these means it should be possible to avoid the need for the building societies to increase their investment rate; and if, in the very short-term, they experienced any shortage of funds this might be dealt with by urging them to run down their reserves, a Government guarantee being offered if necessary. If the outcome of the meeting with the BSA were unfavourable, consideration could be given to some form of direct subsidy; but the Cabinet had not yet reached a conclusion on this and the possibility should not be mentioned to the BSA. These measures would deal only with the immediate situation. Longer-term solutions must be urgently examined, including the desirability of fundamental changes in the nature, structure and functions of the building society movement and the possibility of involving the banks in the provision of finance for housing. A committee, perhaps including non-Ministerial members, should be set up to go into these matters and the Chancellor of the Exchequer, in consultation with the Secretary of State for the Environment, should urgently submit to the Cabinet proposals as to the composition and terms of reference of such a committee.

The Cabinet -

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

2. Invited the Secretary of State for the Environment and the Chancellor of the Duchy of Lancaster to hold immediate discussions with the Building Societies Association on the lines indicated in the Prime Minister's summing up and to report the outcome to the Cabinet at their next meeting.
3. Invited the Chancellor of the Exchequer, in consultation with the Secretary of State for the Environment, to circulate to the Cabinet proposals as to the composition and terms of reference of a committee to examine long-term questions in relation to building societies and housing finance.

5. The Cabinet considered a memorandum by the Lord President of the Council (C(74) 21) on the legislative programme for the 1974-75 Session.

THE LORD PRESIDENT said that with a Session of uncertain length, a very limited number of days for legislation before the Summer Recess and the problems created by the lack of an overall majority in the House of Commons it was essential that the Government should concentrate on getting through as quickly as possible a limited number of Bills to which they attached the greatest importance. These were the Bills in the Top Priority category in the main programme and the Essential Bills. The Top Priority category included not only Bills of vital political importance such as Repeal of the Industrial Relations Act 1971, Furnished Tenancies and Prices, but also Bills which were of lesser importance but nevertheless urgent, such as Representation of the People, and less urgent Bills inherited from the previous Administration which had been introduced in order to fill gaps at the start of the Session. The programme would be kept under constant review and the timing of the introduction of Bills in the Priority category would have to depend on how the Session progressed.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet approved the legislative programme set out in the Annex to C(74) 21. The Lord Privy Seal should discuss further with the Lord President and the Secretary of State for the Environment the possibility of arranging for the early introduction into the Lords of Control of Pollution and Road Traffic; and if the Secretary of State for Social Services concluded, in the light of her discussions with the Chancellor of the Exchequer about national insurance contributions, that it was essential for Social Security Act 1973 Amendment to receive Royal Assent before the Summer Recess, she should discuss the matter further with the Lord President. Consideration should also be given to the possibility of finding an early place for a very short Northern Ireland Bill on Firearms. It was particularly important that White Papers should be prepared on proposals in major Bills which were not going to receive an early introduction.
The Cabinet -

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

The Cabinet had before them a memorandum by the Home Secretary (C(74) 18) about the Speaker's Conference on Electoral Law.

THE HOME SECRETARY said that the Speaker's Conference had unfinished business left over from the last Parliament and before inviting the Speaker to reconstitute it he wished the Cabinet to consider the tactical handling of three matters which might be regarded as appropriate to the Conference. The first two, which were dealt with in his memorandum, were proportional representation and a ban on publication of opinion polls in the period immediately before an election; these were obviously appropriate to the Speaker's Conference. The third arose out of the need to deal with a proposal to appoint a Royal Commission on employee censorship of the content of Press advertising which Lord Orr-Ewing would be putting forward in the Lords next week: the underlying issue here was the expenditure on advertising for political purposes of allegedly non-party organisations like Aims of Industry. Since this kind of expenditure fell outside the present law on electoral expenses, it too might appropriately be referred to the Conference. Proportional representation was the most difficult issue, however, since, although there was no question of the Government itself wanting to pursue it, there was a danger that if the Government failed to take any initiative in the matter, it might come to be regarded as the only Party which was not disposed even to consider the case for electoral reform of this kind. It was very likely that the Liberals would propose to include it in the terms of reference and it would be preferable not to leave the initiative in their hands.

In discussion it was argued that once the possibility of proportional representation was put forward by the Government as a subject for study it would become a major political issue which would be to the advantage only of the Opposition Parties. No form of proportional representation could do other than damage the Labour Party's prospects at general elections. It was relevant that the Kilbrandon Commission in proposing devolution to Scotland and Wales had itself recommended a form of proportional representation for those countries in recognition of the fact that only by so doing could the regular Labour majorities based on the existing Parliamentary constituencies be eliminated. There was no urgent need to
reconstitute the Speaker's Conference. There was no pressure for it among Government supporters in the House and for the Government to take the initiative in setting it up and putting proportional representation in its terms of reference would raise considerable disquiet in the Labour Party throughout the country. It should be borne in mind that the Conference could produce interim reports very quickly and if they were to do so on this matter both the content and timing could easily be politically damaging to the Government. Given the possibility of a General Election later this year it would be preferable to defer setting up the Conference until after the Summer Recess. It was not thought likely that the Speaker would himself wish to see it reconstituted immediately.

THE PRIME MINISTER, summing up the discussion, said the Cabinet were agreed that it would be preferable not to suggest at this stage that the Speaker's Conference should be reconstituted. They recognised that there were dangers in inaction; in particular the Government might not be able to defeat a Commons Motion, if one were tabled, calling for a Select Committee to consider the merits of proportional representation. If the present Parliament continued into the autumn, however, it would probably then be desirable to reconstitute the Speaker's Conference, although even then it was arguable that it might be preferable to respond to a suggestion by the Opposition Parties that the Conference should consider proportional representation rather than for the Government to propose it.

The Cabinet -

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

Cabinet Office

4 April 1974
Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
TUESDAY 9 APRIL 1974
at 10.00 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales
The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal

ALSO PRESENT

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr P D Nairne (Item 2)
Mr H F T Smith (Items 1, 2 and 5)
Mr P Benner (Items 1, 3 and 4)
Mr J Roberts (Item 5)
Mr K R Stowe (Item 4)
Mr D Evans (Item 2)

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

Inquiry into Broadcasting

THE HOME SECRETARY said that he proposed, before the Easter Recess, to announce the Government's intention to set up an inquiry into broadcasting under the chairmanship of Lord Annan. It would have substantially the same field of work as the inquiry which had been established in 1970 and subsequently discontinued when the Conservative Government took office; but he would, in consultation with the Prime Minister, settle the terms of reference and the membership of the inquiry after the Easter Recess.

The Cabinet -

Took note, with approval, of the Home Secretary's statement.

The Cabinet were informed that an urgent decision was needed on the request from the workers at the Beaverbrook plant in Glasgow that there should be some Government assistance towards a study of the feasibility of keeping the establishment in operation. A meeting of the workers was to take place on 10th April and it was desirable that a decision should have been taken and announced by then. Moreover, the subject was likely to be raised in the course of the Debate on the Motion for the Adjournment of the House of Commons for the Easter Recess.

The request for financial assistance had recently been discussed by the Ministerial Committee on Public Enterprises, who had noted that an important point of principle was involved in the decision whether to give any form of Government assistance to the newspaper industry.

THE PRIME MINISTER, summing up a brief discussion, said that the Lord President should arrange for the Ministers principally concerned to discuss the matter further later that day so that an early announcement could be made of the Government's attitude towards the request for assistance with a feasibility study.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.
2. THE PRIME MINISTER said that on his visit to Paris to attend the memorial service for President Pompidou, he had held talks with the French Prime Minister, M Messmer; the Federal German Chancellor, Herr Brandt; the Japanese Prime Minister, Mr Tanaka; President Podgorny of the Soviet Union, who was particularly concerned to discuss questions of trade and technology; and President Nixon of the United States, with whom he had a wide-ranging discussion of international questions. He would arrange for any points of particular departmental interest emerging from these talks to be communicated to his colleagues.

The Cabinet -

Took note of the statement by the Prime Minister
3. The Cabinet resumed their discussion of building societies and mortgage finance.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that, following the Cabinet's discussion on 4 April, the Chancellor of the Duchy of Lancaster and himself had discussed with the negotiators representing the Building Societies Association (BSA) the possibility of arranging a Government loan which would make unnecessary any increase in the mortgage rate above its present level of 11 per cent. The upshot was that, after two lengthy meetings, the negotiators had agreed to commend to the BSA Council a proposal under which the Government would arrange a facility consisting of loans totalling £100 million, which would be available as from April 1974 at an annual rate of interest of 10\% per cent, together with a further £400 million which, if circumstances required, would be available from the end of April onwards, at an average rate of £100 million a month, on terms and rates to be agreed. It would be a condition of the loan which was to be made available in April that no change would be recommended in the investment and mortgage rates during that month. The loans were to be repaid as soon as possible, either from new sources of funds or from net receipts accruing from a reflux of investment income. The terms of the £100 million loan available in April involved a small element of Government subsidy, in that the interest charged would be 10\% per cent, whereas the current minimum lending rate of the Bank of England was 12\% per cent. If the loan remained outstanding for a year, the cost would be £1\% million. The negotiators thought that the Government's offer would be accepted by the BSA Council and in particular by all the largest building societies; but if it were not, an early statement would have to be made by the Government describing the offer which had been made and indicating that the responsibility for any increase in the mortgage rate must be laid at the door of the building societies.

In discussion it was recognised that the Government's offer - though much the best arrangement which could be made at present - was of course only a temporary solution and was in the nature of a bridging loan to tide the building societies over until other sources of finance were available. It was desirable that the loan should be repaid as soon as possible, and the negotiation of a Eurodollar loan offered a good prospect of this. It was uncertain whether it would be possible to offer the building societies equally favourable terms for any further instalments from the additional £400 million which was to be made available if needed.
THE PRIME MINISTER, summing up the discussion, said that the Cabinet noted the very satisfactory outcome of the discussions with the BSA negotiators and congratulated the Ministers concerned. The decision reached by the BSA Council should be reported to the Cabinet at their meeting the next day; but if the Government's offer was not accepted, it would have to be made clear that the responsibility for any consequent increase in the mortgage rate lay entirely with the building societies. As regards the future, the Chancellor of the Exchequer had indicated that he would wish to be personally involved in the financial aspects of any further negotiations with the building societies; and it was important also that he and the Secretary of State for the Environment should as soon as possible circulate to the Cabinet proposals as to the composition and terms of reference of the committee which it had been agreed should be set up to examine longer-term issues.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.
4. The Cabinet had before them memoranda by the Lord President (C(74) 27) and the Secretary of State for Social Services (C(74) 26) about the National Insurance Bill.

THE LORD PRESIDENT said that he had been asked to consider whether the Government could take action to prevent the putting down and consideration of amendments to the National Insurance Bill which would require six-monthly upratings of social security benefits. The selection of amendments and scope for debate were ultimately matters for the Speaker but, subject to that overriding consideration, it seemed clear that there was no certain way in which the Government could prevent the tabling of amendments which would have the effect either of introducing six-monthly upratings permanently or of securing that the next uprating was in April 1975. The terms of the Money Resolution might not suffice to exclude such amendments and, if called, they could well be carried.

THE SECRETARY OF STATE FOR SOCIAL SERVICES agreed that the Government risked defeat on such an amendment, and it was necessary to consider urgently, therefore, the feasibility and cost of carrying out six-monthly upratings. Her Department’s investigation had shown that they were administratively feasible and indeed that regular April and October upratings would, if adequate numbers of permanent staff were provided, be preferable in the eyes of the staff associations to annual upratings carried out in overtime and with casual staff. As to cost, the addition would be of the order of £250 million, on the basis of an assumed 20 per cent increase in earnings in the next year. There were strong objections to pre-empting resources of this order, which could only be at the expense of other groups, such as the disabled; and if the issue were raised only in debate it would not be difficult politically to mount a convincing case against six-monthly upratings. There would however be difficulty in the event of a vote on an amendment; and in that situation the best the Government could do might be to accept the view of the House and to ensure that the terms of the amendment were technically sound, if need be by tabling a Government amendment at a later stage.

In discussion it was agreed that the merits of the case were overwhelmingly against six-monthly upratings. Not only did they absorb social services resources which would otherwise be available for other high priority groups such as the disabled, for larger families and for developments in education, but they would result in a heavier burden of contributions and, to the extent that these had increasingly to be met by employers, would put higher costs on to industry. The measures which the Government had already taken to help pensioners had been well received by the elderly in the population, and it was unlikely that there would be public pressure to move to six-monthly
upratings at the expense of other groups still in need of help. Nevertheless, the risk of defeat in the Commons was real. It would however be unwise to make any kind of commitment to repeal the six-monthly provision at some later date - for example, after an election.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet were agreed that a powerful case could be mounted against six-monthly upratings: they resulted in the wrong priorities in social services expenditure and in extra costs to contributors to the national insurance scheme, especially to companies who, in 1975 particularly, would be faced with many higher costs while attempting to hold down prices. If an Opposition amendment to secure six-monthly upratings, or an uprating in April 1975, were successfully carried against these arguments at Committee Stage, the Government should accept it without entering into any commitments for the future either by way of permanent provision for six-monthly upratings or for reversion to annual upratings at a later date. It would, however, be necessary to ensure that the resultant legislation was technically sound and Government amendments for this purpose should be tabled as necessary on Report Stage in the Commons, rather than in the Lords. Very rapid action would be needed, as all stages in the Commons were being taken on one day. The Secretary of State for Social Services should therefore ensure that the Opposition amendments were studied as soon as possible so that she could advise the Chief Whip promptly on the action needed in the Commons.

The Cabinet -

Took note, with approval, of the Prime Minister’s summing up of their discussion, and invited the Secretary of State for Social Services and the Chief Whip to be guided accordingly.

5. The Cabinet resumed their discussion on policy towards Chile. Their discussion and the conclusions reached are recorded separately.
CABINET

CONFIDENTIAL ANNEX

CC(74) 9th Conclusions, Minute 5
Tuesday 9 April 1974 at 10.00 am

THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS said that in accordance with the previous discussion in Cabinet he and the Secretary of State for Defence had met a group of Government supporters in the House to discuss our policy towards Chile. There was no doubt that the supply of warships to Chile was widely disliked in the Parliamentary Party; over a hundred members had called upon the Government to prevent delivery. On the other hand only about 27 Members had attended the meeting, and while only a few had spoken, it was his impression that they divided fairly equally into those who considered that we should prevent the delivery to Chile of the warships being built under contract in this country, and those who thought that the contracts should be fulfilled. The discussion with the Parliamentary group had been useful; he had exposed the problem frankly; and even those who were opposed to delivering the warships appeared to recognise the formidable difficulties which would be presented by a decision to frustrate the contracts. It was important to realise that the vessels were already the property of the Chilean Government; three of them were flying the Chilean flag and had Chilean crews on board. The contracts were between the Chilean Government and the shipbuilders. Export licences were not required. He was advised that legislation would almost certainly be necessary if we were to prevent delivery, and this legislation would need to be retrospective since the contracts had already been made. Action of this kind would be without precedent in peacetime and it might well have serious international consequences going beyond our relations with Chile.

There had been indications from the Chilean Government that if the warships were not delivered we would be denied supplies of Chilean copper, which amounted to 20 per cent of our requirements. It was possible that we might in time be able to make good our requirements by obtaining supplies from Zambia, but in the meantime we would have to buy through the copper markets in
London and New York and pay the very high prices now being commanded by copper on the world market. Stocks held by industry were low and the consequences of a shortage would be severe for the building and light and heavy engineering industries, and thus for the employment situation.

In November 1973 they had, when in Opposition, moved a Motion calling for changes in the then Government's policy towards Chile. The decisions which had now been taken and which he and the Minister of Overseas Development had announced on 27 March, covered all the demands in the November Motion with the arguable exception of the demand that the sale of arms to Chile should be prevented. It had been decided, and announced, that no new sales would be made. All that was at issue was the delivery of the warships, which had already been sold. In view of this record of promises fulfilled, and of the great difficulties and disadvantages which would attend a refusal to allow the warships to be delivered, he strongly recommended to his colleagues that the warships should be allowed to go to Chile.

In discussion it was pointed out that we were at present fulfilling orders to the value of £210 million for naval equipment to be supplied to other countries in Latin America, and there was the prospect of further orders worth £260 million to be obtained in the next few years. Much of this business would be put at risk of we prevented delivery to Chile. It was also argued, however, that sales of arms were discreditable in themselves and that under any reasonable interpretation of the Motion put down in November the warships should not be allowed to go to Chile. Such a decision might involve severe penalties, but these should be accepted. The credibility of the Party and of the Government was more important than our reputation in Latin America as reliable suppliers of arms. It was stated, however, that if our power to prevent delivery depended upon the passage of new legislation, it would be impossible to obtain a majority for such legislation: a considerable number of Government supporters would not be prepared to vote for it.

It was also noted that Rolls Royce (1971) Limited were under contract to overhaul engines of the Hawker Hunter aircraft sold to Chile at their factory at East Kilbride, and it was suggested that this service should be terminated.

THE PRIME MINISTER, after further discussion, said that the Cabinet had been faced with a difficult decision. There was a general dislike of supplying the Chilean Junta with warships. The Government had, however, lost no time in fulfilling virtually the whole of the policy towards Chile which it had advocated when in Opposition, and a decision to frustrate the contracts for the warships would risk many penalties, domestic and international.
After considering all the arguments which had been put forward the view of the Cabinet was decidedly in favour of accepting the Foreign and Commonwealth Secretary's recommendation that we should not seek to frustrate the contracts at this stage. The Secretary of State for Industry would circulate to his colleagues a paper on the arrangements for overhauling Chilean aircraft engines at East Kilbride, and this would be considered at a future meeting.

The Cabinet -

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

2. Invited the Secretary of State for Industry to circulate a paper on the arrangements for overhauling Chilean aircraft engines.

Cabinet Office

9 April 1974
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
WEDNESDAY 10 APRIL 1974
at 10.45 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon James Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs (Items 4, 5 & 6)

The Rt Hon Roy Jenkins MP
Secretary of State for the Home
Department (Items 1 - 3)

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and
Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and
Science

The Rt Hon John Morris QC MP
Secretary of State for Wales

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal
THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Samuel Silkin QC MP
Attorney General (Items 1 and 2)

The Rt Hon Ronald King Murray QC MP
Lord Advocate (Items 1 and 2)

The Rt Hon Judith Hart MP
Minister of Overseas Development (Item 3)

The Rt Hon Edmund Dell MP
Paymaster General (Items 4 and 5)

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury (Item 3)

Mr Roy Hattersley MP
Minister of State for Foreign and Commonwealth Affairs (Item 3)

Mr Joel Barnett MP
Chief Secretary, Treasury (Item 3)

Mr Gavin Strang MP
Parliamentary Under-Secretary of State, Department of Energy (Items 3 - 6)

SECRETARIAT

Sir John Hunt
Mr H F T Smith (Item 6)
Mr P Benner (Items 1, 4 and 5)
Mr J A Hamilton (Items 2 and 3)
Mr K R Stowe (Items 4 and 5)
Mr H F Ellis-Rees (Item 3)
Mr R L Baxter (Item 2)

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The Cabinet resumed their discussion of building societies and mortgage finance.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that, despite the somewhat misleading reports which had appeared in that morning’s Press, the Council of the Building Societies Association (BSA) had given a sympathetic reception to the proposals for a Government loan which he had described to the Cabinet at their meeting the previous day. There were, however, a few points on which the Council wished for clarification and he would be meeting their representatives for this purpose later in the day. Before that meeting he proposed to make a short holding statement in the House of Commons. He had little doubt that, following clarification of the outstanding points, the BSA Council would accept the Government’s proposals at their next meeting on 19th April.

The Cabinet -

Took note of the statement by the Secretary of State for the Environment.
2. The Cabinet considered a memorandum by the Secretary of State for Employment (C(74) 25) on the legislation to repeal the Industrial Relations Act.

The Secretary of State for Employment said that his discussions with the Trades Union Congress (TUC) and the Confederation of British Industry (CBI) about his legislative proposals had now taken place, and difficulties arose on 3 points. First, as regards picketing, the proposal to allow the stopping of vehicles had aroused much controversy. The TUC were suspicious of his proposal to give the Government the power to make regulations or a code of practice. The difficulty could not be resolved in the time available. He proposed, therefore, to confine his Bill to a restoration of the right to peaceful picketing as laid down in the 1906 Act, but without the picketing of homes, and to leave the whole question of stopping vehicles to be dealt with under a subsequent Bill. In his speech on the Second Reading he would express the dissatisfaction of the Government with the present legal position and promise to consider further what amendments should be introduced. As regards the closed shop, the TUC were opposed to any provision for safeguards for the individual against arbitrary expulsion or exclusion from union membership. Nevertheless he was sure that there would be pressure in Parliament for some such safeguards, and he proposed to include a clause in the Bill providing for a right of complaint, on the lines proposed by the Donovan Commission. Complaints would be heard by a special tribunal consisting of a legal chairman and 2 members nominated by the TUC. The tribunal would be able to award compensation but not to order reinstatement. In order to meet part of the TUC objections he would propose to limit the exercise of the right to cases where an employee had been dismissed or given notice of dismissal as a result of his loss of union membership. He had told the TUC that unless some such clause were included in the Bill the Opposition could be expected to move an amendment which they would find less acceptable. Thirdly, as regards the transitional provisions for cases before the National Industrial Relations Court (NIRC), he had accepted the Lord Chancellor's advice that it would not be defensible to extinguish or modify existing rights of action under the 1971 Act when the Repeal Bill came into force; the most that could be done was to provide that in cases started in the NIRC after the publication of the Repeal Bill and still unfinished when the Bill took effect the plaintiff's rights would be automatically extinguished, but cases started before that date would be transferred to the High Court or the Court of Session. It was unfortunate that this would provide no remedy against the £47,000 compensation award against the Amalgamated Union of Engineering Workers (AUEW), but he did not think that any better arrangement could be devised. He invited the Cabinet to agree that the Bill should be introduced with the modifications he had proposed.
The following points were made in discussion:–

a. **Picketing.** Any provision to change the law on picketing, particularly as regards the obstruction of the highway, would have to be discussed in detail with the Police Federation; for this and other reasons it would be better if the statement to be made on the Second Reading by the Secretary of State for Employment were to omit any specific reference to the stopping of vehicles.

b. **Safeguards for Individuals.** It was argued that although an individual might suffer in other ways from his expulsion or exclusion from a trade union, a right of complaint against the denial of the right to work would remove the worst possibilities of injustice. Although ideally it would be desirable for the tribunal to be able to order a union to reinstate a member, this would be difficult to enforce in practice; the tribunal might however be authorised to reduce the compensation where the member was re-admitted. For the sake of natural justice the right of complaint should cover the denial to the individual of a reasonable opportunity to argue his case to the union. It would be worth considering also whether the provisions should cover professional associations such as the British Medical Association and the Law Society.

c. **Transitional provisions for NIRC cases.** It was pointed out that the award against the AUEW could lead to a strike and that the case of General Aviation Services versus the Transport and General Workers Union could result in compensation of more than £1 million being awarded against the union. It was suggested that the Repeal Bill should have retrospective effect from the date of the announcement of the Government's intentions in The Queen's Speech; but it was pointed out that this would not affect the troublesome cases which had been mentioned, all of which were already before the NIRC. A provision to qualify the right to continue an existing action had been considered but if the effect would be to eliminate the cause of the action such a provision would be a sham. It was argued that there should be a general amnesty for NIRC cases or, failing this, a provision setting a limit to the damages that could be awarded; this could be introduced by a backbench amendment and if it were defeated the Government could at least claim credit for having supported it. On the other hand it was argued that such a provision in civil cases was open to serious objections of principle that did not apply to a criminal amnesty, since it extinguished the rights of private
individuals or bodies. Such a measure would encounter strong opposition in Parliament. There might be less objection to a measure by which liabilities under the 1971 Act would be taken over by the Government, but since this amendment would involve public expenditure it could not be introduced except by the Government. Any of these proposals could have repercussions on the surcharging of Councillors under the previous Government's Housing Finance Act.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the Secretary of State for Employment should introduce amending legislation on the lines proposed in his memorandum (C(74) 25). As regards picketing, he should indicate in his speech on the Second Reading that the Government was considering further legislation, and should clear the wording of his statement with the Home Secretary. On safeguards for individuals the Cabinet agreed that the right of complaint should be confined to cases involving loss of employment. As regards the transitional provision for cases before the NIRC, the Cabinet agreed that the legislation should take the form proposed by the Secretary of State for Employment, but the Lord Chancellor, the Secretary of State for Employment and the Law Officers should look further into the suggestions that had been raised in discussion and report back to the Cabinet. Their report might take the form of a series of alternative courses of action, showing the advantages and objections to each, and the possible repercussions on the Housing Finance Act. It might also help to clear the air if they would examine the rights and wrongs of a recent case in which the NIRC had sequestered money that was in the possession of a local authority.

The Cabinet -

1. Took note with approval of the summing up of their discussion by the Prime Minister.

2. Invited the Secretary of State for Employment to proceed with the preparation of a Bill on the lines which he had proposed.

3. Invited the Lord Chancellor, the Secretary of State for Employment and the Law Officers to look further into the possible transitional provisions for NIRC cases and to report back to the Cabinet.
3. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(74) 23) on the procedure for determining public expenditure programmes for the years 1975-76 to 1978-79.

THE CHANCELLOR OF THE EXCHEQUER said that it was now necessary to decide how to settle the public expenditure programmes for 1975-76 to 1978-79. The issue for immediate decision was procedure. It was usual to start from the basis of existing policies costed in the annual Public Expenditure Survey; but the Government would not wish to rely on the policies of their predecessors, who had in any case admitted that the forward programmes of their White Paper on Public Expenditure (Cmnd. 5519)* published in December 1973, had been overtaken by events. A fresh survey was therefore required, based on instructions which took realistic account of the economic prospect assessed in Annex 1 to his memorandum. If the Government were to fail to make an impact on the main problems of inflation and the balance of payments, virtually all their hopes would be frustrated; demand must be managed with the primary view of solving these problems, but without sacrificing a high level of employment. In his judgment, it would be unwise to base plans for resource allocation on a larger annual increment to national resources than 3 per cent on average; something like half of this increase would need to be devoted to exports and productive investment, leaving only about 1 1/2 per cent for public expenditure and private consumption together. The critical question was how far private consumption could be held down without leading to demands for greater wage increases. He concluded that the level of expenditure on goods and services for 1975-76 should be held close to that in 1974-75 in real terms, growing in aggregate thereafter (though not uniformly for all programmes) at about 2 per cent a year, and that comparable stringency should be applied to transfer payments. Certain areas had been identified for special treatment: from Defence he hoped to obtain additional savings; expenditure on Northern Ireland, nationalised industry investment, housing and infrastructure for offshore oil might demand increases above the norm. But he wished to emphasise that the procedure he proposed implied no final judgment on the level of programmes. At this stage he sought agreement only to the method of approach and the working assumptions on which officials should report, as a basis on which the Cabinet could take decisions on the priorities, policies and programmes. The economic prognosis might well need to be changed in the light of the studies which were now in hand; but even a higher rate of increase in gross domestic product (GDP) would leave public expenditure programmes under pressure. If the Cabinet were now to endorse the method of proceeding outlined in Annexes 2 and 3 to his memorandum, he would arrange to present the report by officials together with a further assessment of the medium term economic prospect.
In discussion, the need was urged for a broader and deeper consideration of the Government's economic strategy before decisions were taken on the size and content of public expenditure programmes. It would be cause for concern if under a Labour Administration the needs of public expenditure were to be subordinated to the demands of private consumption, and endorsement of the procedural framework proposed in C(74) 23 should not be allowed to lead on to the formulation of programmes and priorities which were at variance with the Government's economic philosophy. Even within present economic constraints there was room for alternative strategies to improve the balance of payments and encourage productive investment, and these should be thoroughly explored before the Cabinet was asked to reach decisions on particular programmes. Nor should methodology inhibit the discussion of spending priorities: Ministers in charge of major programmes should have discretion to reallocate expenditure between the main sectors. It was also open to question whether certain types of transfer payment, for example on food subsidies, represented a true addition to public expenditure; and different methods of providing incentives to industry could have a widely varying effect on public expenditure programmes. This suggested that the definition of public expenditure needed further analysis. The Government should also bear in mind the expectations which had been aroused by the published programmes of their predecessors; in particular, if public expenditure in 1975-76 was to be held in real terms to the level of 1974-75, it could have a most prejudicial effect on social programmes of critical importance. On the other hand, it was argued that some working basis must be proposed, and it was preferable to err on the side of prudence; even an annual rate of growth of 3 per cent was higher than the average over the last twenty years. Moreover, public expenditure programmes were generally unsuited to be the vehicle for economic fine-tuning; and even if some degree of reflation were to become necessary later in the year, action on indirect taxes or family allowances would probably be more appropriate than an upward revision of public expenditure.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the Chancellor of the Exchequer's proposals about the procedure for carrying forward the review of public expenditure, but on the clear understanding that this implied no commitment to a particular balance between public and private expenditure, nor to decisions about particular programmes. Officials should now put work in hand as indicated in the Annexes to C(74) 23. At the same time the Chancellor of the Exchequer would proceed with his examination of the economic outlook in the medium term. The Cabinet would wish to have a further discussion on the general direction and balance of the Government's economic strategy before considering specific decisions on public expenditure.
programmes. Meanwhile, care should be taken that Ministers in their public statements did not commit the Government to any particular timing for the second Budget or the public expenditure White Paper.

The Cabinet -

1. Took note, with approval, of the summing up of their discussion by the Prime Minister.

2. Approved C(74) 23, on the understanding indicated by the Prime Minister in his summing up.

4. THE SECRETARY OF STATE FOR SOCIAL SERVICES said that Opposition amendments had been tabled to the National Insurance Bill which did not entail six-monthly upratings, as had been expected, but instead required the Secretary of State to lay before Parliament after each annual review of social security benefits a report setting out her conclusions about the rate of change in the general level of prices and earnings and, in the light of this, the desirability of having more frequent reviews of benefits. Another amendment would require the Secretary of State to consider the relationship of income tax allowances to social security benefits. Both these amendments were relatively harmless, although they would provide opportunity for debate about six-monthly upratings and the tax credit scheme. She proposed to resist them; but if they were pressed to a division and carried, the Government would not be embarrassed.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet agreed that the amendments should be resisted but that, if carried, they could be accepted with good grace.

The Cabinet -

Took note.
5. The Cabinet had before them memoranda by the Secretary of State for Social Services (C(74) 24 and C(74) 29) about the interim action which the Government might take on the Social Security Act 1973, and about the level of National Insurance contributions after April 1975 to finance the basic National Insurance scheme.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the Government had to decide urgently what to do about the Social Security Act 1973, embodying the previous Administration's long-term schemes for occupational pensions and a State Reserve Scheme for those workers not covered by occupational schemes. The Act came into operation in April 1975. The Labour Party had opposed the State Reserve Scheme and were pledged to replace it with a better scheme which would in particular make improved provision for the lower-paid and for women. She proposed to retain the changeover to a fully earnings-related contribution to the basic scheme of National Insurance, and the arrangements for preservation of pension rights on change of employment, both of which were in line with the Government's own proposals. The problem was to know what to do about the Reserve Scheme. She had set out three Options in her paper (C(74) 24): to continue with it pro tem, to continue but change it to a pay-as-you-go scheme and use the income for basic scheme pension provision, or to stop it. On balance she preferred to stop it: this could be done by a revocation order which would not require Parliamentary approval. On this basis she would propose to deal with the problem of the shortfall in basic National Insurance contribution income from April 1975 by leaving the employees' contribution at 5½ per cent of earnings (in place of the total of 6⅔ per cent that would have been payable under the 1973 Act) and increasing the employers' contribution to about 8⅔ per cent, an increase of about 1½ per cent on what they would have paid under the 1973 Act. These proposals would be acceptable to the TUC and had the agreement of the Treasury; and she would like to announce them, together with the decision to stop the Reserve Scheme, as soon as possible - preferably during the debate in the House of Commons later that day - so that industry could suspend its preparations for the coming into operation of the 1973 Act. She would then publish a White Paper in the Summer about the Government's own proposals.

THE PRIME MINISTER, summing up a brief discussion, said that there had not been time for the Cabinet to consider fully the very difficult and controversial issues raised by the Secretary of State's proposals which were fundamental to the Government's policy on social security. The operational difficulties of those preparing for 1973 were recognised but the Government could not reasonably be criticised for not rushing into hasty decisions on very complex issues when they had been in office for less than six weeks. More time was needed for study and consideration and the Cabinet would
resume their discussion at a later date. Meanwhile the Secretary of State for Social Services could say in the House, if need be, that the Government were aware of the need to tell industry and the pension interests what was to happen in April 1975; and undertake that she would make a statement as soon as possible after the Easter recess.

The Cabinet -

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

CHILE

6. The Cabinet resumed their discussion as policy towards Chile. Their discussion and the conclusions reached are recorded separately.

Cabinet Office

10 April 1974
CABINET
CONFIDENTIAL ANNEX

CC(74) 10th Conclusions, Minute 6

Wednesday 10 April 1974 at 10.45 am

THE FOREIGN AND COMMONWEALTH SECRETARY said that he was due to answer a Parliamentary Question that day on the subject of arms supplies to Chile and that this provided the occasion for announcing the decision about the warships which the Cabinet had reached at their previous meeting. The proposed answer made it clear that no new contracts would be entered into but referred to fulfilling existing ones. This might be deemed to prejudice the discussion which the Cabinet were due shortly to have about the arrangements for overhauling Chilean aircraft engines at East Kilbride, and he wondered therefore whether he should defer a definitive reply.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet agreed that the Foreign and Commonwealth Secretary should give the answer proposed subject to referring to the completion of the review of "sales" rather than to "contracts", thus leaving open for later consideration the question of engine servicing on which the Secretary of State for Industry would be circulating a memorandum.

The Cabinet -

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

Cabinet Office

16 April, 1974
CONCLUSIONS of a Meeting of the Cabinet
held in the Prime Minister's Room, House of Commons on

WEDNESDAY 10 APRIL 1974
at 6.00 pm

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon Marilyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Lord Shepherd
Lord Privy Seal
THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Frederick Mulley MP
Minister for Transport (Item 2)

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr H F T Smith (Item 1)
Mr J A Hamilton (Item 2)
Mr R L Baxter (Item 2)

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1. The Cabinet considered the situation in Northern Ireland. Their discussion and the conclusions reached are recorded separately.
The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(74) 28) on Nationalised Industry prices.

THE CHANCELLOR OF THE EXCHEQUER said that the Prime Minister had asked for a review of the timing of the price increases by the nationalised industries. The position was summarised in the Annex to his paper. This showed the effective dates of the proposed tariff increases and the dates when the first increased payments would fall due; in the case of electricity and telephone charges the dates of payment were several weeks later than the effective dates. The table also showed the direct effects on the Retail Price Index (RPI); these were averaged over the year and did not allow for seasonal variations in the incidence of fuel costs. The table showed that the effective dates of 3 of the tariff increases would come close together in the first half of June. These were the increases in railway fares and in postal and telephone charges. The increase in railway fares would be felt at once; in his Budget Speech he had undertaken that it would take effect in the summer and there would be difficulties in postponing it beyond the middle of June. It would add only 0.08 per cent to the RPI. Similarly the increases in postal charges would be felt at once; they had been promised for the summer, and would add only 0.07 per cent to the RPI. The increase in telephone charges would add 0.13 per cent to the RPI but would not be felt by the consumer until the next telephone bills were paid from July to October.

The following points were made in discussion:

a. The increase in electricity charges would be felt at once by those who paid through coin meters, and these included a large proportion of the poorer section of the community. It was anomalous that a nationalised industry such as the electricity industry should give preferential rates to the larger consumers, particularly at a time of inflation when the Government would have to concentrate its efforts on protecting the poorest sections of the community. Although any interference with the tariff policy of a nationalised industry would affect its management and would therefore need time to consider, there was a case for asking the electricity industry to consider whether its tariff policy could not be slanted more in conformity with the social priorities of the Government.

b. The British Rail Board had already agreed to exempt the shortest journeys from the fares increases and to mitigate the increase on journeys between 3 and 15 miles; to some extent this would help to relieve the burden on the working-class commuter. The timing of the proposed fare increases must be governed by the need to give at least a month's notice to the Transport Salaried Staffs' Association.
c. The cost of postage had a symbolic importance because it was regarded by the public as an index of inflation. Deferment of this increase would cost only £7 million a month.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that it would be desirable to avoid the bunching of price increases in the first half of June. For this purpose the increase in railway fares should be deferred for about a week, until the last week of June, and the increase in postal charges for about 2 weeks. The point that had been raised about electricity tariffs should be further examined, though there would not be time to reach a conclusion before the new charges came into effect in May and July. Before the winter it would also be desirable to consider the increase in the price of paraffin, which could have a serious effect on the poorest part of the community.

The Cabinet -

1. Took note, with approval, of the summing up of their discussion by the Prime Minister.

2. Invited the Secretary of State for the Environment to arrange for the proposed increase in railway fares to be deferred for a week.

3. Invited the Secretary of State for Industry to arrange for the proposed increase in postal charges to be postponed for 2 weeks.

4. Invited the Secretary of State for Energy -
   i. to consider whether the electricity boards should be asked to modify their pricing policy in favour of the small consumers; and,
   
   ii. to consider whether any action could be taken to mitigate the effect of the increase in the cost of paraffin.

Cabinet Office

11 April 1974
NOTE:

Circulation of the attached record of Item 1 of CC(74) 11th Conclusions has been restricted to the Prime Minister, the Lord President of the Council, the Foreign and Commonwealth Secretary, the Home Secretary, the Chancellor of the Exchequer, the Secretary of State for Defence and the Secretary of State for Northern Ireland only. It should not be distributed more widely without the prior approval of the Secretary of the Cabinet.
NORTHERN IRELAND

The circulation of this paper has been strictly limited.
It is issued for the personal use of Bound Volume

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CABINET

CONFIDENTIAL ANNEX

CC(74) 11th Conclusions, Minute 1

Wednesday 10 April 1974 at 6.00 pm

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the security situation in Northern Ireland was cause for great concern and the political situation, which was already bad, could deteriorate dangerously. The pattern of violence had changed and consisted largely of attacks with fire bombs prepared and placed by women, and the placing of car bombs by civilians who were not themselves terrorists but who were acting under extreme duress. The prevention of violence in these forms was a virtually impossible task for the Army; and it was a misuse of the armed forces to employ large numbers of them on the task of searching people. He wished to inform his colleagues in strict confidence that within the next few days the Army would attempt to seal off all approaches to Belfast. But as the attempts to control the town centre had shown, this drastic move was unlikely to prevent violence altogether. Steps would also be taken to ensure that shop keepers took greater care to take precautions against fire bombs; those who failed to do so would find it much harder to obtain compensation for any damage they suffered. The suppression of violence would only be achieved if the community co-operated, and if the Royal Ulster Constabulary could, with community participation, be made more effective. The Catholics were, however, reluctant to help to improve the Police before the Sunningdale Agreements had been fulfilled, and the attitude of the Social Democratic and Labour Party (SDLP) reflected this view. He hoped that progress could be made with the Irish Government to improve co-operation and liaison on security; and that the Joint Anglo/Irish Commission on Law Enforcement would come forward with useful proposals, though it seemed unlikely that they would make a clear recommendation in the matter of extradition, which was of prime importance to Protestant opinion. The future of the Sunningdale Agreements confronted us with a dilemma. If they were not concluded there was the danger that the Irish Government and the SDLP would find it impossible to continue their support of power sharing within the Northern Ireland Executive; but if we forced the Agreements through in present circumstances, Mr Brian Faulkner, the Chief Executive, would be totally rejected by
Protestant opinion and this would bring power sharing to an end. Although it was unwise to make confident predictions about developments in Northern Ireland, where the political climate could change unexpectedly, he was bound to warn his colleagues that the political situation was extremely fragile and there was a danger of political collapse. It was essential, however, that we should show confidence in our present policies and press ahead with them; for otherwise the danger of collapse would be even greater.

In discussion it was pointed out that although the tactics now being followed by the terrorists persuaded the population that violence was on the increase, the total figures for shootings and bombings showed a decline. The functions given to the Army, and the tactics to be followed, should be reviewed: in the past two weeks a group of over 200 men from the Spearhead Battalion in this country had been flown to Northern Ireland and had taken part very successfully in operations with forces there. It was suggested that in view of the danger of political collapse it was important to make contingency plans for alternative courses that might be followed if the present machinery of government, and in particular the Executive and the Assembly, broke down. It was likely in those circumstances that we would have to revert, for a time, to government by direct rule. But whereas in 1972 the imposition of direct rule created a climate of hope, a reversion to direct rule would represent a failure of policies and the prospects of reinstating power sharing would be remote. In the worst circumstances there might be strong pressures in this country for our withdrawal from Northern Ireland and although the consequences of this would be very grave and carry much danger, for Great Britain as well as for Northern Ireland and the Republic, it would be advisable to examine those consequences as part of the contingency planning. It was also suggested that if there were a further serious deterioration in the situation, it would be important to ensure by means of consultation in one form or another, that the three Parties in Parliament maintained a common position. An all-Party conference should not be excluded, and might lead to a joint conference with representatives from Northern Ireland and the Republic.

THE PRIME MINISTER, summing up the discussion, said that he would arrange for a small group of Ministers to make a preliminary study of various contingency plans, so that, if there should be a complete breakdown in the situation, the Cabinet would not be faced with proposals for which there had been inadequate planning. At this stage they should not exclude plans on the ground that they were unlikely to be adopted. This applied even to a policy of withdrawal, the objections to which had been fully recognised in discussion. The Cabinet had necessarily discussed matters of great sensitivity. If it became known that they had done so, the consequences would be very grave, and the situation in Northern Ireland might pass totally out of our
control. The strictest secrecy must therefore be preserved and we must continue to show confidence in the success of our present policies.

The Cabinet -

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

Cabinet Office

11 April 1974
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 25 APRIL 1974
at 10.30 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales
The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Samuel Silkin QC MP
Attorney General (Item 2)

The Rt Hon Ronald King Murray QC MP
Lord Advocate (Item 2)

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr H F T Smith (Item 1)
Mr J Anson
Mr R L Baxter (Item 2)

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1. The Cabinet's discussion and the conclusions reached are recorded separately.

2. The Cabinet considered a memorandum by the Secretary of State for Employment (C(74) 30) on the proposed safeguards for trades union members in the Bill to repeal the Industrial Relations Act.

THE SECRETARY OF STATE FOR EMPLOYMENT said that, in response to representations from the Trades Union Congress (TUC), he now proposed to drop from the Bill the Clause, which the Cabinet had previously approved, providing machinery for appeals to a special tribunal by union members against unreasonable expulsion or exclusion from a union. The TUC had advanced good reasons for objecting to the inclusion of this provision in the present Bill. They argued that it was unnecessary since union members could have recourse to the High Court; that the unions had done a great deal to improve their disciplinary procedures; that the matter had not been covered in the discussions that members of the Government had held with the TUC before obtaining office; and that the length of the Clause gave it an undue prominence in a short Bill. The Government should be chary of a provision which could give rise to awards of compensation against unions that could be difficult to enforce. Even if, in the face of Government insistnce, the TUC might eventually be persuaded to accept the Clause, they would think it necessary to make the kind of representations to the Government that would be damaging to good relations between them. He recommended therefore that the Clause should be dropped. During the passage of the Bill he would draw on the arguments which had been deployed by the TUC, and take the line that the right course was to consider with them what further action might be needed, including provision in the subsequent Protection of Employment Bill, to supplement the existing safeguards for union members. The TUC would be ready to enter into discussions on that basis. The TUC had also indicated that they would like the provision for conscientious objectors to be deferred to the second Bill, but he would not advocate this, particularly in view of the recent references to it in the Press. He would, however, consult the TUC further about this provision in case they wished to suggest any amendment of it in the second Bill. He accordingly invited his colleagues to agree that the Clause providing for appeals against expulsion or exclusion from a union should be dropped from the present Bill, but that the provision for conscientious objectors should be retained.
In discussion it was argued that the TUC objections to the proposed tribunal seemed unreasonable; their members could already have recourse to the High Court and their rejection of safeguards would be likely to harden the attitude of the courts against the unions. Moreover, since the present means test would deny legal aid to those earning more than a modest level, many High Court cases might be financed by politically motivated employers or newspapers. In the earlier discussions with the TUC, they had not been able to substantiate claims that voluntary safeguards would be fully effective, and the Government might now be in a better position to institute some inquiry into this point. The TUC might favour delaying the safeguard provision until the second Bill because they hoped that at that stage they would be better able to persuade the Government to drop it altogether; but for the same reason the Opposition would press for the safeguard to be included in the present Bill, and postponement would expose the Government to accusations of subordination to the TUC. The risk of such criticism was illustrated by the immediate reaction to the recent decision to refund £10 million that the unions had paid in taxes as a result of the Industrial Relations Act. The Government had made numerous concessions to the unions and the time had come to see what the unions had to offer in return. By including this provision in the present Bill the Government would demonstrate that they were not instruments of the TUC, but were taking their decisions on grounds of public interest. Failing this, the TUC should at least be asked to agree that if, by the time of the second Bill, they had not achieved effective voluntary arrangements, they would co-operate in working out a suitable provision for inclusion in the second Bill. This might be made more palatable to the unions if the provision were to apply to expulsion procedures of professional bodies as well as to trades unions.

On the other hand it was argued that the Government had come to office on a programme of conciliation instead of confrontation with the trades unions. The country would judge them by their success in carrying out such a programme which depended vitally on retaining the goodwill of the unions. The measures that the Government had offered as its side of the social contract were such as it would have wished to take in any case. As regards the union side, it would be constitutionally impossible for the TUC to give specific undertakings on wages, but the first few weeks under the present Government had already shown a dramatic decline in the number of stoppages. The circular issued to the unions by the General Secretary of the TUC on 11 April gave more than the Government might reasonably have expected, and the TUC had already intervened helpfully in more than one dispute. The refund of £10 million for taxation could be fully justified by reference to statements of Ministers in the previous Government, who had
claimed, wrongly as it turned out, that the unions could avoid the tax by registering as friendly societies; and the constitutional objections to retrospective tax legislation did not apply to measures designed to relieve the taxpayer. Against this background, a deferment of the safeguard provision, particularly if it were accompanied by a firm undertaking to include it in the second Bill, need not be seen as a surrender to the unions. The provision was in any case logically more appropriate to the second Bill. Such a deferment would also give the opportunity for more detailed discussion with the TUC, with the advantage to the Government not only of a gain in TUC goodwill but also of possible improvement in the technical form of the legislation.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the provision for conscientious objectors should remain in the present Bill, but that the safeguard provision for appeals to a special tribunal against unreasonable expulsion should be deferred. However, they were doubtful whether the TUC would find it possible to provide adequate safeguards of their own for the individual, and they did not favour setting up an independent inquiry into the matter. The TUC should therefore be told that the safeguard provision would be included in the second Bill, although if the TUC brought forward alternative proposals in the meanwhile, the Government would be prepared to look at them. The Government's position on this point should be made clear during the Debate on the Second Reading of the Bill; and the TUC should also be warned that if the Opposition sought to insert a safeguard provision into the Bill, the Government might have to counter this by putting forward their own proposals. More generally Ministers should take every opportunity to stress the Government's commitment to a policy of conciliation, and the good results that that policy was already achieving.

The Cabinet -

Took note, with approval, of the summing up of their discussion by the Prime Minister, and invited the Secretary of State for Employment to proceed accordingly.
3. THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the programme for uprating social security benefits in July 1974 was now being seriously jeopardised by industrial action among the staff responsible for implementing it. In a number of regions the staff were refusing to work overtime, either on the uprating or on other work, and were also refusing to work with casual staff. If the present situation continued, the delay in the uprating of supplementary benefit could be as much as 16 weeks, with slightly smaller delays in the case of contributory benefits; and, at the extreme, the position might be reached where disablement benefit was up to a year in arrears. She had now had talks with the Staff Side and had offered the maximum concessions which had been agreed interdepartmentally, but these had not been acceptable to the staff associations concerned, the Civil and Public Services Association and the Society of Civil Servants. She would like therefore to examine the possibility of a small further concession, which she believed would be sufficient to obtain the co-operation of the staff so that the uprating could proceed as planned.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet had taken note of the situation reported by the Secretary of State for Social Services, and they would wish to consider it at their next meeting. In the meantime, the Secretary of State for Social Services should discuss the matter further with the Lord President and the Secretary of State for Employment, and should then circulate a memorandum to the Cabinet for consideration.

The Cabinet -

Took note, with approval, of the summing up of their discussion by the Prime Minister, and invited the Secretary of State for Social Services to proceed accordingly.

Cabinet Office

25 April 1974
THE PRIME MINISTER said that the memorandum on Questions of Procedure for Ministers made it clear that in any public speeches they should exercise special care in referring to subjects which were the responsibility of other Ministers. The principle of collective responsibility applied; they should keep within the ambit of approved Government policy and should not anticipate decisions not yet made public; and in all cases of doubt they should consult the Minister concerned. On a few recent occasions the rules had not been observed. A speech made by the Secretary of State for Defence the previous day had been interpreted in some quarters, particularly in Northern Ireland, as indicating that the Government might be influenced by a growing public demand in Britain that our troops should be removed from Northern Ireland. Subsequent attempts to correct this misinterpretation of the speech had not been entirely successful. He understood that the Secretary of State for Northern Ireland had not been consulted about the speech. In any Ministerial statements about Northern Ireland it was important that every word should be weighed most carefully. The Secretary of State for Northern Ireland must always be consulted, in the same way as the Secretary of State for Foreign and Commonwealth Affairs, the Chancellor of the Exchequer and the Secretary of State for Defence, for example, had to be consulted about references to questions falling within their Departmental responsibility. On this occasion he too should have been consulted especially in view of his recent visit to Belfast and his close concern with current developments in Northern Ireland. Arrangements for advance distribution of the text of the speech had also been unsatisfactory: copies had been delivered to the Party Headquarters after the speech was due to start.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the effect in Northern Ireland had been very damaging. The Social Democratic and Labour Party Members of the Executive had been particularly disturbed. The Provisional Wing of the
Irish Republican Army would have been encouraged in their belief that the Government could be brought to make concessions to them by the pressure of violence. The efforts which were being made, with some success, to maintain the solidarity of the Executive, had received a setback.

THE SECRETARY OF STATE FOR DEFENCE said that he regretted that he had not consulted the Secretary of State for Northern Ireland. In that part of his speech which dealt with Northern Ireland, his concern had been to urge support for the Government's policies. His purpose in referring to the existence of pressure to pull out troops was to emphasise to the people of Northern Ireland that this pressure could grow unless they themselves played a more positive and constructive role.

THE PRIME MINISTER, summing up a brief discussion, said that he would issue a reminder, to be seen by all Ministers and their Private Offices, about the need to observe the rules contained in the memorandum on Questions of Procedure. He would make a statement reaffirming the Government's policy in Northern Ireland and their determination not to be diverted from that policy by the men of violence. It might be useful if other Ministers were to follow this up in speeches during the coming weeks, but our reaction would need to be carefully judged and Ministers should consult the Secretary of State for Northern Ireland.

The Cabinet -

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

Cabinet Office

25 April 1974
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 2 MAY 1974
at 10.30 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales
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1. The Cabinet were informed of the business to be taken in the House of Commons during the following week.

2. The Cabinet considered a memorandum by the Lord President of the Council (C(74) 35) on Members' outside financial interests.

THE LORD PRESIDENT said that many months of discussion between the Parties in the House of Commons about the declaration and registration of Members' outside financial interests had resulted in agreement on the arrangements which were embodied in the draft resolutions annexed to his memorandum. These reinforced the existing practice of the House about disclosures of interests in debate and provided for the setting up of a register of Members' interests. The agreement was for a voluntary register and, because of the great difficulty that had been experienced in arriving at a workable definition of what constituted a registrable financial interest, the draft resolution dealt with this in two parts: first, there was provision for registration of a specific but fairly narrow range of interests and, secondly, there was an open-ended provision for a Member to add to the register other interests which he thought the House might regard as relevant. This matter was essentially one for decision by the House of Commons itself, and it therefore seemed right that a free vote should be allowed. But the Government had to make its own views clear and give a lead by tabling the necessary resolutions. As to the question whether the register should be voluntary or compulsory, it would not be possible to proceed by all-Party agreement with a compulsory register; but it was now known that the great weight of opinion in the Parliamentary Labour Party was in favour of a compulsory register, and in view of this and of events which had occurred since the completion of the talks with the other Parties, he thought it better for the Government to table a resolution providing for a compulsory register on the lines indicated in the Annex to his memorandum. Proceeding in this way, it would be unnecessary to produce a precise legal definition of a registrable interest, and the courts would not be involved: it would be for the House itself to decide whether a Member was in breach of the resolutions and what the consequences should be.

In discussion it was generally agreed that the issue was now urgent and that it should be left ultimately to a free vote in the House. It was, however, certain to provoke intense criticism by the Liaison Committee and the Parliamentary Labour Party if the Government tabled the resolutions without consultation with them. The Liaison Committee had discussed the subject the previous evening and had taken the view that this was primarily a matter for Parliament.
They had been dissuaded from preparing proposals of their own only on the promise that the Cabinet's proposals would be put to them urgently. It was likely that there would be a substantial majority for a compulsory register although a minority of Members were firmly opposed to it. Against this it was argued that while consultation with the Parliamentary Labour Party was obviously right, the Government must form a view and give a lead on this matter. In view of the strength of opinion it was clear, however, that a Government proposal for anything less than a compulsory register would not get the backing of the Government's own supporters, and there was general agreement that the draft resolutions agreed in inter-Party discussions would have to be amended to this end.

In further discussion it was argued that the Government should, in announcing its intentions to propose - for a free vote - a compulsory register, also propose that Parliamentary journalists should be required to register their outside interests. Some of them received retainers by outside firms, some were employed as public relations consultants, others undertook second jobs, while others were prepared to disclose the lobby sources of their material to other newspapers incognito. It was highly desirable that these facts should be brought to light. On the other hand, it was argued that while there was a clear justification for requiring elected representatives of the people to disclose publicly the interests which might influence their judgment, no precisely comparable justification existed for employees whose newspaper employers happened to require their services in the Parliamentary lobby. Moreover, the case for public registration of Members' interests had been exhaustively examined, whereas virtually no public consideration had yet been given to the position of Parliamentary journalists. It might be preferable, therefore, for the Government not to take the initiative in proposing a register for Parliamentary journalists in any announcement on Members' interests but, in response to any question by a back-bencher, to make it clear that the case for this was being considered.

In continued discussion it was argued that the resolutions as drafted were very imprecise as to what could be regarded as a registrable interest. In particular, the open-ended resolution 2(b) would leave irresponsible Members substantial freedom to evade registration of relevant interests while conscientious Members would be worried into registering personal interests which might well be trivial and would be an unacceptable public exposure of their private affairs. To make this vague requirement compulsory would compound the problems of the conscientious while failing to deal with the unscrupulous. It would be better to omit this proposal and to strengthen both resolution 1 and resolution 2(a)
by greater definition of what constituted an interest. In particular, it should be made clear that nominee holdings were relevant, as were benefits in kind, and that shareholdings frequently became relevant at a level much below that of a controlling interest. The essential requirement was to register the "paid relationship". It was also desirable to ensure that visits abroad, and major shareholdings, were recorded. On the other hand it was argued that a year of inter-Party discussion had demonstrated the impossibility of defining interests in a precise and fair way which would still leave it open to a Member to protect himself by registering an interest not captured by the definition. The growth of the public relations industry had made it almost impracticable to produce a comprehensive definition. Excessive detail in the resolutions would not be helpful; but it should be recognised that in the course of time well-understood interpretations of the resolutions would grow up.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet were agreed that the setting up of a register of Members' outside financial interests was now urgently needed and that it should be on a compulsory basis. The proposal for a voluntary register which had been arrived at in agreement with the other main Parties was no longer adequate and the Government could not now recommend this. The issue was, however, ultimately one for the House itself to decide; and this should be done by way of a free vote on resolutions to be tabled by the Leader of the House, which the House could amend as it saw fit in the light of debate.

It was right for the Government to give a lead in this matter by tabling the necessary resolutions, but that should be done only after careful consultation with the Liaison Committee of the Parliamentary Labour Party. The draft resolutions annexed to the Lord President's memorandum should be modified to take account of the difficulties involved in making the register open-ended by omitting resolution 2(b) and amending resolution 1 to provide that Members should declare any personal interest, whether financial or in kind, direct or indirect. Resolution 2(a) should be amended to make it mandatory and to require registration of a substantial as well as a controlling financial interest, but without attempting at this stage to quantify any limits on what should be registered. The proposal to establish a comparable register of Parliamentary journalists' interests should be considered further but should not be dealt with in the resolutions relating to Members' interests or in any announcement about them, although in reply to questions it could be made clear that the Government was considering the need for such a register. The procedure now would be for the Lord President to inform the Liaison Committee that the Cabinet had considered this matter and concluded that a compulsory register was desirable, and to invite their views on the terms of the draft resolutions, as amended, to be tabled by the Government. If it then appeared that there was any substantial difference between
the views of the Party and of the Cabinet, the matter should be brought back to the Cabinet for further consideration. If however the Government's approach was substantially endorsed, any further consideration of more detailed points relating to the terms of the resolution to be tabled should be dealt with as a matter of Parliamentary procedure by the Legislation Committee, which should take account of the points about definition of interest which had been made in the Cabinet's discussion.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion, and invited the Lord President of the Council to proceed accordingly.

Cabinet Office

2 May 1974
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 2 MAY 1974
at 4.45 pm

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council (Item 1)

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Lord Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs (In the Chair for
Items 2 and 3)

The Rt Hon James Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs (In the Chair for
Items 2 and 3)

The Rt Hon Lord Elwyn-Jones
Lord President of the Council (Item 1)

The Rt Hon Lord Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs (In the Chair for
Items 2 and 3)

The Rt Hon James Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs (In the Chair for
Items 2 and 3)

The Rt Hon Lord Elwyn-Jones
Lord President of the Council (Item 1)

The Rt Hon Lord Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs (In the Chair for
Items 2 and 3)

The Rt Hon Lord Elwyn-Jones
Lord President of the Council (Item 1)

The Rt Hon Lord Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs (In the Chair for
Items 2 and 3)

The Rt Hon Lord Elwyn-Jones
Lord President of the Council (Item 1)

The Rt Hon Lord Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs (In the Chair for
Items 2 and 3)

The Rt Hon Lord Elwyn-Jones
Lord President of the Council (Item 1)

The Rt Hon Lord Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs (In the Chair for
Items 2 and 3)
The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

ALSO PRESENT

The Rt Hon Samuel Silkin QC MP
Attorney General

SECRETARIAT

Sir John Hunt
Mr P D Nairne (Item 2)
Mr H F T Smith (Item 2)
Mr J Anson (Items 1 and 3)
Mr D Evans (Item 2)
Mr R. L Baxter (Items 1 and 3)

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1. The Cabinet considered a memorandum by the Secretary of State for Employment (C(74) 33) on the use of his consent powers under the Counter-Inflation Act 1973. They also had before them a minute dated 1 May from the Secretary of State for Defence to the Prime Minister about the pay of the armed forces in Northern Ireland.

The Secretary of State for Defence said that, in response to a request by the Prime Minister, he had put forward a number of proposals for improving conditions for the armed forces in Northern Ireland. Some of these proposals related to allowances and entitlements, but the root of the problem was pay. The Armed Forces Pay Review Body (AFPRB) was expected to produce within the next 3 weeks or so a report on armed forces pay to be applied from 1 April. The Review Body had to work strictly within the limits of the Pay Code, and it was difficult within those limits to take account of the particular pressures under which the army was working in Northern Ireland. Under the 1970 arrangements there was already an "X factor" of 5 per cent to take account of the special circumstances of the armed forces, including danger, family separation, and their total commitment to the job. The Pay Code also provided some scope for payments for "unsocial hours", but there had been difficulty in reaching agreement with the Pay Board on its application to the forces, and the maximum which the Board were likely to allow was about £30 million. This would make possible a 4 per cent increase in the "X factor" generally, plus an additional payment of 35p a day for those serving in Northern Ireland. He thought that any payment of less than 50p a day to those in Northern Ireland would seem derisory, and at the same time the forces needed and deserved an increase in the "X factor" of about 5 per cent generally. The cost of this would be £38.5 million and the extra £8.5 million could only be authorised by the Secretary of State's power of consent under the Counter-Inflation Act 1973. He proposed therefore to indicate to the AFPRB that if in their report they chose to recommend an increase of 5 per cent in the "X factor" and an extra payment of 50p a day for those in Northern Ireland and if the Pay Board found these additions inconsistent with the Code, Ministers would give the necessary consent.

This concession would apply equally to the Ulster Defence Regiment; beyond that he did not know of any other group who could claim that their own conditions in any way resembled the onerous duties of the forces in Northern Ireland.
THE SECRETARY OF STATE FOR NORTHERN IRELAND said that he supported the case put forward by the Secretary of State for Defence, for the armed forces in Northern Ireland, but he did not agree that there would be no repercussions. The Royal Ulster Constabulary (RUC), although their duties were not the same as those of the armed forces, had suffered a high casualty rate and worked extraordinarily long hours, often side by side with the army. He thought they had a similar case for an increase in their pay.

In discussion it was argued that it was disturbing to find that the forces in Northern Ireland, which were at present the only operational units in the army, were being treated worse than those elsewhere. For instance, those in Germany were not exposed to the same dangers, and could be accompanied by their families, but also received an overseas allowance and better allowances for dependants. For the sake of the morale of the army in Northern Ireland it was urgent to remedy this situation, even if it meant taking special measures. On the other hand, it was argued that the reason for the higher allowances in Germany was the much higher cost of living. While full account should be given to the undoubted hardships suffered by the troops in Northern Ireland, it was also necessary to have regard to the possible repercussions; for instance, in addition to the RUC, a case could also be made out on behalf of the firemen and ambulance services in Northern Ireland. Every other case that had been put to the Cabinet had been scrutinised in detail for its repercussions by the Sub-Committee on Pay Negotiations of the Ministerial Committee on Economic Policy (EC(P)). The suggestion that the Government should indicate in advance to the AFPRB specific recommendations which Ministers would find acceptable was inconsistent with the independent status of the Review Body; and to do so at this late stage might only lead to a delay in the presentation of its report.

In further discussion, it was suggested that an alternative procedure for handling the case would be to ask the AFPRB to produce its report as quickly as possible, and at the same time to make a careful study of the way in which consent powers could be used without undue repercussions elsewhere. There were grounds for hoping that the report might be ready in a week or 10 days; and the Government might then at once announce that, whereas the Review Body had been limited by the constraints of the Pay Code, the Government would set aside those limits by the use of the consent power and make certain additions to the increases recommended in the report. In that way no time would be lost, and the resulting settlement would have been more carefully considered by the Government from the point of view of its
repercussive effects. In order to pave the way for this procedure, there might be some advantage to the Government if the AFPRB report included a passage to the effect that the Stage 3 limits had prevented the Review Body from recommending as much as they would have otherwise thought right, but on balance it would be better not to press the Review Body to do this, since they might put it in a way which would embarrass the Government by justifying still wider concessions.

THE PRIME MINISTER, summing up this part of the discussion, said that the Cabinet agreed that the forthcoming pay settlement for the armed forces should take special account of the particular difficulties under which they were working in Northern Ireland. They also agreed that, while the Review Body should not be pressed to include specific recommendations in its report, the Chairman should be asked to deliver the report as quickly as possible. In the meantime, the Ministerial Sub-Committee on Pay Negotiations should examine in detail the improvements in pay that had been proposed, and consider how additional help for the armed forces in Northern Ireland could be given and justified in a way which would minimise the repercussive effects. The Secretary of State for Defence should report to the Cabinet, by Monday 13 May, on the progress which had been made on this issue and on the other improvements in conditions in Northern Ireland which were currently under discussion.

The Cabinet -

1. Took note, with approval, of the summing up of their discussion by the Prime Minister.

2. Invited the Secretary of State for Employment to arrange for the Ministerial Sub-Committee on Pay Negotiations to examine fully the proposed improvements in the pay of the armed forces in Northern Ireland, with a view to limiting the repercussive effect of any Ministerial consent that might need to be given.

3. Invited the Secretary of State for Defence -

   i. to ask the Chairman of the Armed Forces Pay Review Body to produce his report as quickly as possible;

   ii. To circulate a report to the Cabinet by 13 May, as indicated by the Prime Minister in his summing up.
THE SECRETARY OF STATE FOR EMPLOYMENT said that the announced policy of the Government was to move smoothly from the statutory pay controls to voluntary methods, using the limited power of consent to ease the most exceptional difficulties, while getting those who had made settlements to stick to them and others to settle at much the same level as hitherto. The Ministerial Sub-Committee on Pay Negotiations had been considering a number of difficult pay problems as candidates for the use of consent powers. As regards the major cases their conclusions so far fell into 2 categories. The Sub-Committee agreed that the Government should be ready to give consents for Government scientists, the railways, and the London underground; and a consent for the London underground might have to be extended to the London busmen. On the cases for teachers, nurses and postal workers, the Sub-Committee had been divided, and his memorandum set out the arguments on both sides.

Teachers, nurses and postal workers had undoubtedly fallen behind other groups in recent years, but the Sub-Committee agreed that a general pay review for these 3 groups would be too costly and too repercussive. They had therefore considered proposals for selective action for each of the 3 groups, at a total public expenditure cost of about £40 million. The proposal for nurses was for selective improvements in pay, to be linked to the recommendations of the Briggs Report on nursing. The improvements would be designed to remedy the shortage of nurse teaching staff, to attract the additional staff needed to replace the reduction in work contribution by the learner in the hospital, and to maintain the morale and image of the profession. About 40 per cent of nurses would benefit. The proposal for teachers was to extend the existing system of selective pay additions to improve the staffing of schools in stress areas; about 10 per cent of teachers would benefit from this. His memorandum suggested that this action might be so limited, and liable to be taken by the teachers as divisive, that it might do more harm than good; but on that question the Cabinet would wish to have the views of the Secretary of State for Education and Science. Finally, for the postal workers, the proposal was for selective improvements affecting a minority of postal workers, mainly members of the Union of Post Office Workers (UPW). It could not be linked to any advance in social policy, and could raise problems for other trades union leaders who were trying to avoid pressing their own claims as special cases.

Some members of the Sub-Committee had taken the view that consents for these 3 selective increases would do little to allay discontent and might increase it among those who did not benefit. The main effect would be to add to the difficulty of holding pay
increases at about Stage 3 levels for the rest of the pay round. Many union leaders would privately prefer a minimum of consents because special cases added to their difficulties with their own members. On the other hand some of the cases, for instance the railways, the London underground and Government scientists, seemed overwhelming, and action on the selective proposals for nurses, teachers or postal workers could help to combat the impression that the power of consent was to be used mainly for those who had power to injure the economy. Those who took this view believed that the selective proposals would afford a constructive approach, taking account of social considerations as well as industrial power, which would help the Government in urging others to hold back. He himself shared the latter view in general, but in view of the difficulties attending the proposed improvements for teachers and postmen, he had recommended that the use of the consent power, apart from the railways, London underground and Government scientists and certain other minor cases, should be restricted to the selective improvements for the nurses. If the Cabinet agreed, he would announce this decision in the House of Commons on Monday 6 May on the lines of the draft annexed to his memorandum.

In discussion of the proposed selective increases for particular groups, the following main points were made -

a. Nurses. It was argued that the nurses had a particular grievance because they had been told by the previous Government that their case would go to the proposed Relativities Board after that of the miners. The growing practice of employing agency nurses earning up to £75 a week was a particular irritant to the permanently employed nurses earning far smaller amounts. Although the union leaders took a responsible line, feelings were rising. The nurses were also concerned at the failure to act on the Briggs report, which had been commissioned by the previous Labour Administration and presented in 1972. The selective increases that had been proposed, taken together with the acceptance of the recommendations in the Briggs report, could be presented as part of a planned social policy which would improve morale in the profession and should not create repercussions outside it.

b. Teachers. It was argued that over the last 8 years the increases in salary received by teachers had amounted to only 60 per cent of the average increase in all salaries. The resulting staff shortages were bringing some schools under particular stress; and in some London boroughs the service was now approaching a breakdown, with large
numbers of children receiving only part-time education. This was an unprecedented situation. In some Scottish schools the teachers were already working to rule. While the proposed selective increases would not satisfy the National Union of Teachers as a response to their more general pay demands, they would have difficulty in rejecting the increases if these were presented as a social and educational measure. Teachers generally would probably accept the increases as better than nothing, whereas they would be particularly resentful if the consent power was exercised in favour of nurses but not for them.

c. Postal workers. It was argued that as a result of the application of the pay policy the postal workers were now worse off in real terms than they had been in 1971. They had been disappointed in their expectation of benefiting, as the Civil Service had done, from the anomalies provision in the Pay Code; and they had then fixed their hopes on the provision for relativities, which the present Government had rejected. If nothing were done for them now they might therefore complain that the present Government had adopted a more rigid stance than the previous Administration. Because of the difficulties in limiting the repercussions, it was suggested that a preferable course might be to agree with the UPW and the Trades Union Congress (TUC) that their case would be the first to be considered after the end of Stage 3 of the pay policy. On the other hand it was argued that the TUC might find difficulty in conceding this as a special case. Moreover, the UPW had not taken a militant line, and could be relied on to co-operate in carrying out a voluntary policy provided that the present decline in the relative position of their members could be remedied.

In general discussion of all the cases it was argued that, in a statutory system that was heavily based on the principle of comparability, it was difficult to change the relative position of any group without giving rise to demands from other groups with inflationary consequences. So long as this attitude persisted the members of the General Council of the TUC would prefer a minimum of consents to be given, so as to avoid consequential difficulties with their own members. In working out a voluntary policy with the TUC it would be right to take more account of recruitment difficulties, particularly in the larger cities, so as to avoid the danger of progressive industrial stagnation and the collapse of public services. Meanwhile there was a strong social and moral case for each of the groups that had been discussed.
THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed with the proposals by the Secretary of State for Employment for the use of the consent power for Government scientists, the railways and the London underground. They also agreed with the proposed selective increases for the nurses, the teachers and the postal workers. The question whether the proposed consent for the London underground should be extended to the London busmen should be considered further in the Ministerial Sub-Committee on Pay Negotiations. The Secretary of State should make a general announcement about the use of his consent powers on Monday 6 May, in consultation with the Ministers responsible for the various groups concerned.

The Cabinet -

4. Took note, with approval, of the summing up of their discussion by the Prime Minister, and invited the Secretary of State for Employment to proceed accordingly.

5. Invited the Secretary of State for Employment to arrange for the Ministerial Sub-Committee on Pay Negotiations to consider whether the consent for the London underground should be extended to cover London busmen.
2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Junta, under the leadership of General Spinola, appeared to have been successful in bringing the whole of Portugal under its control; and the support which it was receiving from the armed forces in the Overseas Provinces had so far kept the position steady there. We were recognising the new regime. Senhor Soares, the General Secretary of the Portuguese Socialist Party, had been sent to London by General Spinola as his emissary, and had been seen by the Prime Minister and himself. Senhor Soares had told them that the Socialist Party would take part in a Government which it was hoped to form in the course of the next few weeks, and were seeking the post of Prime Minister. The Communist Party also wished to participate. Forces of the right wing were disorganised. The new regime had indicated that they would welcome our advice on the problems of carrying out a policy of decolonisation and he was sending a message to General Spinola offering any help we could give in this connection. It was clear that the Portuguese would face great problems in attempting to move quickly from the methods and machinery of a totalitarian state to a democracy, but recent events had created a hopeful opportunity. The consequences for the political situation in Southern Africa could be profound.

The Cabinet -

1. Took note of the statement by the Foreign and Commonwealth Secretary.

THE FOREIGN AND COMMONWEALTH SECRETARY informed the Cabinet that at a meeting of the Ministerial Committee on European Community Strategy on 25 April there had been a full discussion of our objectives in the renegotiation of our terms of membership of the European Community. Since the meeting of the Council of Ministers (Foreign Affairs) on 7 May would take place between the first and second rounds of polling in the French Presidential Election, and there was a consequent risk that our case might, if presented at that Council meeting, become an issue in the Election, the Committee had concluded that we should wait until the subsequent meeting of the Council of Ministers (Foreign Affairs) on 4 June. There would be no loss of momentum in the work on renegotiation since the additional period would be used for bilateral consultations at official level with other Community countries and the Commission; and with Canada, Australia, New Zealand and the developing countries of the Commonwealth Sugar Agreement (CSA). The basic aim in these bilateral would be to present our problems and to demonstrate the strength of our case to the Community; officials would not be proposing solutions, though they might lift a corner of the veil from our ideas. In the light of the outcome of the bilateral
consultations and further detailed consideration of our objectives he would be putting to the Cabinet before the Whitsun recess a memorandum setting out our negotiating stance for the Council Meeting on 4 June. This would be concerned with the three basic areas of the Community budget, the Common Agricultural Policy and Commonwealth and developing countries and with our general aim of removing the illiberal characteristics of the Community arrangements.

There seemed an increasing prospect that our renegotiation of terms of membership might take place against the background of a major crisis of confidence within the Community resulting in part from economic difficulties exacerbated by increased oil prices. The decision of the Italian Government to introduce an import deposit scheme had caused a considerable shock in the Community. This underlined the inability of the Community in its present form to deal with the major problems which confronted it. It also reinforced the general feeling that the time had come for a re-examination of the Community's role, future purpose and objectives, on a more realistic basis than had been apparent to date.

The Cabinet -

2. Took note.

3. The Cabinet considered a memorandum by the Secretary of State for Social Services. Their discussion and the conclusions reached are recorded separately.
The Cabinet considered a memorandum by the Secretary of State for Social Services (C(74) 34) proposing recognition for extra effort by staff of the Department of Health and Social Security (DHSS) who were involved in the uprating of pensions and other social security benefits.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that she had inherited a discontented and militant staff, who had reacted badly to the tight timetable for pensions uprating (13 weeks instead of 18), at a time of year including the Easter and Spring Bank Holidays and the start of the summer leave season. The Staff Side had put forward proposals on which they had asked for satisfaction before their members would undertake the extra work. Besides covering staff numbers, accommodation and career prospects, the proposals included a request for a once only cash bonus over and above the normal overtime rates. She had told them that this was out of the question. She had then consulted the Sub-Committee on Pay Negotiations of the Ministerial Committee on Economic Policy (EC(P)) about a proposal for giving one additional day's leave for every 30 hours of overtime worked in connection with the uprating. This would cost nothing since the leave would be taken when the work load was slack. The Sub-Committee had however not been prepared to endorse this proposal. Consequently the Civil and Public Services Association (CPSA), representing 70 per cent of the staff in local offices, had now decided to ban all overtime work, to refuse to co-operate with any casual staff recruited to help with the uprating, and to ban work on the uprating even in normal hours. The last decision, if persisted in, could lead only to a sharp confrontation with the management, with the possibility of disciplinary action. At the same time the Association had written a letter to the National Federation of Old Age Pensions Associations (NFOAPA) explaining that although
they were in favour of the uprating they could not undertake it because of the staff shortage. She hoped that the new national agreement on Civil Service overtime rates, which would offer a worthwhile improvement, would be announced soon, but this would not be enough to end the dispute. The Secretary of State for Employment and the Minister of State, Civil Service Department, had both seen continuing difficulties about any grant of leave because of the repercussive effects and because of the political difficulties of making an award for this group of staff, by means of the consent procedure. The Secretary of State for Employment had suggested as an alternative the possibility of asking the National Staff Side to agree to the use of a part of the flexibility margin under the Pay Code, but to put forward such a proposal formally would effectively commit the Government to a cash payment even if the proposal were refused by the National Staff Side. For this reason she thought that a leave bonus was the only practicable solution. She could not be sure that the unions would accept it; but she would attend their Annual Conferences, which would take place very shortly, and would try to persuade them to change their attitude. If they persisted in the face of this additional offer, the Government would at least be on strong ground in arguing that the blame for any delay in the uprating must be placed on the staff. Accordingly she invited the Cabinet to agree that every effort must be put into reaching some agreement during the week beginning 6 May, preferably by the offer of a leave bonus, to be coupled, if possible, with the announcement of the new national overtime agreement.

In discussion it was argued that for the staff to choose what they should do in working hours must be regarded as a gross breach of discipline. Before considering the detailed nature of possible concessions, the Cabinet should consider as a matter of principle whether any concession should be offered. It would be impossible to differentiate this case effectively from other peak load situations. For instance, the Inland Revenue had a similar problem, partly arising out of the same pensions increase; and in their case the staff shortages were so bad that the offer of extra leave might be impossible. A case for a leave bonus for civilian workers employed by the Army in Northern Ireland had been resisted by the Government for 2½ years. If the Cabinet gave way to pressure in this case, they would be unable to resist the pressure for many other similar cases. If, on the other hand, they stood firm, the likelihood was that the pensioners would not blame the Government but the staff associations. The letter from the CPSA to the NFOAPA showed that the union were aware of their vulnerability.
In further discussion it was argued that either a cash bonus or a leave bonus would have to be taken into account under the Code, and would consequently require the use either of part of the flexibility margin or of the power of consent. The use of the power of consent for a concession to civil servants in such circumstances could have far-reaching effects which would make it more difficult to hold the line against other claims for special consents. In any case it was not open to the Government to use the power of consent until a case had been rejected by the Pay Board; and the Pay Board might well take the line that so long as the flexibility margin was available any special payment or leave bonus should be found from it. These difficulties might be overcome if the National Staff Side could be persuaded to agree to the use of part of the flexibility margin, on the basis of a confidential understanding that if they wished to propose any other use of the flexibility margin later in the year the Government would see that the amount that they had given up would somehow be made good to them.

THE FOREIGN AND COMMONWEALTH SECRETARY, summing up the discussion, said that although a strong case could be made against giving any special concession, the Cabinet felt that the importance of the uprating timetable justified some exceptional action in this instance. Subject to the concurrence of the Prime Minister and the Lord President, they favoured the suggested approach to the National Staff Side seeking their agreement to the use of the flexibility margin to accommodate the notional cost of a leave bonus, on the confidential understanding that the amount surrendered would be made good if the National Staff Side wished to put forward alternative proposals for its use later in the year. The Secretary of State for Social Services should explore this suggestion urgently with the Lord President and the Secretary of State for Employment with a view to implementing it if possible before the annual conferences of the staff associations concerned. If it was not possible to solve the problem on this basis, the Secretary of State should circulate a further report to the Cabinet.

The Cabinet -

1. Took note, with approval, of the summing up of their discussion by the Foreign and Commonwealth Secretary.

2. Subject to the concurrence of the Prime Minister and the Lord President, invited the Secretary of State for Social Services to seek a settlement on the lines indicated by the Foreign and Commonwealth Secretary in his summing up, and to report further if a settlement on these lines could not be achieved.

Cabinet Office
3 May 1974
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 9 MAY 1974
at 10.30 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales
SECRET

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Lord Shepherd
Lord Privy Seal

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Samuel Silkin QC MP  The Rt Hon Robert Mellish MP
Attorney General (Items 1-3)  Parliamentary Secretary, Treasury

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1. The Cabinet were informed of the business to be taken in the House of Commons during the following week. It was not intended during that week to make any announcement about the dates of the Whitsun Recess; but it was in fact envisaged that it should last for slightly over two weeks.

The Cabinet were informed that parliamentary draftsmen would shortly have completed work on virtually all the major legislation for which they had received Instructions. It was therefore important that all Ministers with responsibility for Bills - and in particular major Bills - with a place in the legislative programme should ensure that urgent steps were taken to secure any necessary policy clearance and to complete the preparation of Instructions, so as to ensure that the services of parliamentary draftsmen were used to the best effect and that congestion was avoided in the later stages of the programme.

2. THE LORD PRESIDENT said that, as agreed by the Cabinet at its last meeting, he had consulted the Liaison Committee of the Parliamentary Labour Party about the Government's proposal to table Resolutions requiring Members to declare their financial and other interests in debate and in dealings with Ministers and Government Departments, and setting up a compulsory and public register of such interests. He had put before the Committee the Cabinet's provisional definition of what might constitute a registrable interest, together with the definitions arrived at in the all-Party discussions, and in the Labour Party's own discussions in 1973. The Chairman of the Committee had also produced his own definition. The outcome of the discussions was agreement that there should be a compulsory and public register but that a Select Committee should be appointed to consider the definition of interests to be included in it, the arrangements for maintaining it, and the methods by which registration should be made compulsory and enforceable, including the question whether this should be by legislation or by Standing Orders of the House. He commended this proposal to his colleagues. The Cabinet's own discussion the previous week and the further discussion in the Liaison Committee had shown how difficult it was to define a registrable interest and it seemed desirable to remit this aspect to a Select Committee of the House for detailed consideration. If the Cabinet agreed he would now put this proposal to the Opposition Parties forthwith, discuss it with the Parliamentary Labour Party next week, and then table the necessary Resolution in time for it to be debated, and the Select Committee set up, before the Whitsun Recess.
THE PRIME MINISTER, summing up a brief discussion, said the Cabinet agreed that the recommendation of the Liaison Committee was attractive in that it would give a firm lead in the setting up of a compulsory public register of Members' interests while assisting the House to reach a sound judgment on the definition of the interests to be included and on the best method of enforcement. There was a risk that the proposal to set up a Select Committee might give rise to charges of delay; but these could be dealt with by emphasising the complexity of the matter and by requiring the Committee to work to a strict timetable. It would be desirable for Parliamentary business to be arranged, if practicable, so that the debate could take place early enough for the Select Committee to have its first meeting before the Whitsun Recess. The Resolution should empower the Committee to sit during the Recess and the aim should be to have the Committee's report completed, and the consequent Resolutions debated, before the Summer Recess.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Lord President of the Council and the Chief Whip to proceed accordingly.
3. THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS said that he had received a message from the American Secretary of State, Dr Kissinger, saying that his current talks in the Middle East were proving very difficult. He felt however that there was still a slightly better than even chance of securing a disengagement of the Syrian and Israeli forces which was the immediate objective. If this was not obtained there could well be a resumption of full scale fighting in the Golan Heights; and the position of President Sadat of Egypt could be undermined and the threat of interference with oil supplies to the West might be revived. Dr Kissinger had held a meeting in Cyprus with the Soviet Foreign Minister, Mr Gromyko, and they might have a further meeting before Dr Kissinger returned to America.

The Cabinet -

1. Took note of the statement by the Foreign and Commonwealth Secretary.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the meetings of the Council of Ministers in Brussels on 6 May had been overshadowed by the decision of the Italian Government, in the light of prolonged and severe balance of payments difficulties, to introduce an import deposit scheme. As a result, and because of the inefficiency of Council proceedings, there had been no time to discuss some other important matters. The Italian import deposit scheme had encountered strong criticism because it caused difficulties for other member states who could argue that the application of import controls to intra-Community trade conflicted with the Common Agricultural Policy (CAP) and with the principles of the Community's customs union. Both the Council of Ministers (Foreign Affairs) and the Council of Ministers (Agriculture) had therefore spent considerable time discussing the scheme and possible modifications aimed at making it more acceptable to other member states and more compatible with Community rules. But it had been recognised at the end of the day that the Italian Government had no option but to take strong measures in the face of a critical economic situation and that the Community must accept the situation.

More generally the meetings underlined the current doubts within the Community as to its future objectives. It had been suggested that there was widespread pessimism at present in Western Europe about the future of democratic institutions. This was perhaps reflected in the Italian situation; many Italians regarded the
Community as essential since it imposed from outside a discipline which Italy's own political institutions had failed to maintain. The Community was now entering a period of reappraisal quite apart from our own aims for renegotiation. The recent changes in leadership in the three major member states together with the economic and monetary difficulties which all members currently faced could lead to a major transformation by the autumn. The renegotiation of the United Kingdom terms of membership might then take place against a changed background of Community thinking both on internal matters and on relationships with other countries. This could be to our advantage in renegotiation and in the shaping of the future of Europe.

The Cabinet -

2. Took note.
The Cabinet considered a note by the Secretary of State for Energy (C(74) 38) to which was attached a paper about the formation of a common energy policy within the European Economic Community (EEC).

THE SECRETARY OF STATE FOR ENERGY said that the Ministerial Committee on Energy had recently approved proposals about the line which the United Kingdom should adopt towards the development of a Community energy policy, and had invited him, in view of the importance of the issues involved, to report them to the Cabinet. The Summit meetings of October 1972 in Paris and December 1973 in Copenhagen had agreed general expressions of intent to work towards such a policy, but little progress had yet been made. During the coming months there would be various international discussions of these matters, and he himself was due to see the Vice President of the Commission concerned (M. Simonet) later that day. A Community policy however was likely to confer little advantage on the United Kingdom, since by the late 1970s we could expect to be more or less self-sufficient in the supply of energy; and it was arguable that the main aim of the proposals which the Commission had now tabled for discussion was to secure control over our supplies of North Sea oil and gas. Although it would not be in our wider interests to block all progress towards a Community energy policy, we should take care not to enter on commitments which we might later regret. We could support some of the Commission's proposals, and collaborate in research on longer term developments like the use of solar energy and tidal barriers; but proposals for Community control of the oil market which would undermine our own control of our indigenous supplies should be firmly resisted.

In a brief discussion there was general support for this view. In particular any attempt to establish Community control over North Sea oil would be particularly unwelcome to Scottish opinion, and any concession in this area would be turned to advantage by the Government's political opponents in Scotland. It was further suggested that if, as proposed in paragraph 9(b) of C(74) 38, we should not refuse to participate in work directed towards increasing coal and nuclear supplies, we should make it clear that our agreement to engage in studies of this kind stopped some way short of collaboration; we should not allow the Commission or other members of the Community to suppose that they had an invitation to interfere in our own coal industry, or that we were prepared to underwrite the grandiose French investment in nuclear diffusion plant.

The Cabinet -

Approved C(74) 38 subject to the amendment of paragraph 9(b).
5. The Cabinet had before them a memorandum by the Secretary of State for Employment about the position of the Alkali Inspectorate under the Health and Safety at Work Etc Bill (C(74) 37)

THE SECRETARY OF STATE FOR EMPLOYMENT said that at a recent meeting of the Home Affairs Committee it had been agreed that the clauses in the Health and Safety at Work Etc Bill affecting the inclusion of the Alkali Inspectorate should be deleted, and that instead there should be a power by Order to apply the Bill's provisions at some future date to the field covered by the Alkali Act and Inspectorate. He had been unable to attend the meeting personally but his position had been reserved. The course approved by the Committee was in his view a mistake and might even in the end lead to the withdrawal of the Bill. It would make it necessary to support an amendment for the exclusion of the Alkali Inspectorate which had been put down by a Conservative backbench member of the Standing Committee; but the amendment was unlikely to commend itself to most Opposition Members, bearing in mind that the Bill as introduced by the previous Administration had applied to the Alkali Inspectorate. Exclusion would be contrary to the recommendations of the Robens Committee and would be objected to by many Government supporters. It would in particular be highly unwelcome to the Trades Union Congress, who would suspect that an amendment at so late a stage could have been made only in response to the representations which had been made by the Confederation of British Industry. Moreover, the exclusion of the Alkali Inspectorate would renew the disquiet, which he had with some success been working to allay, which the National Union of Mineworkers felt about the inclusion of the Mines and Quarries Inspectorate in the Bill, and would lead to renewed pressure, which it would be difficult to resist, for the latter Inspectorate to be excluded also. In that event one of the major principles underlying the Bill - the establishment of unified machinery for dealing with hazards to the health of workers and of the general public arising at places of work - would be imperilled. There was no doubt a case for reviewing the functions of the Alkali Inspectorate; but the Bill as it stood would help in the immediate future to provide more effective control over unhealthy emissions to the air from industry, while at the same time presenting no obstacle to a review of the Alkali Inspectorate.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that, in response to mounting criticism of the Alkali Inspectorate, he was about to propose the establishment of an authoritative working party to report on the administration of air pollution policies. It was undesirable to pre-empt any decisions which this body might reach, and in particular to risk two changes in rapid succession in the arrangements for managing the Alkali Inspectorate, which would
have a damaging effect on the morale of the Inspectorate as well as being presentationally embarrassing. The Labour Party, when in opposition, had not reached a firm view about the future of the Alkali Inspectorate; and the Inspectorate's present critics were not advocating its transfer to the Health and Safety Commission but rather its unification with the local authorities' Clean Air Inspectorates, which carried out the major volume of work in this field. It would therefore be unwise, pending the outcome of the inquiry, to separate the Alkali Inspectorate from the relevant local authority inspectorates and also from the Clean Air Advisory Council and the Royal Commission on Environmental Pollution. There seemed no good reason to fear serious political consequences from excluding the Alkali Inspectorate from the Bill, pending the working party's report; nor should there be any increased difficulty in preventing the exclusion of the Mines and Quarries Inspectorate, which had completely different functions.

In discussion, it was argued that this was not a matter which appeared to be giving rise to strong political feelings and that in any event opinion amongst Government supporters was divided. There was a growing feeling that the organisation and functions of the Alkali Inspectorate should be subjected to a rigorous review; but such a review would not be helped and might even be hindered if the Inspectorate were at this stage transferred to the Health and Safety Commission, even though the inquiry might in the end show that this was in fact the best course. On the other hand, it was argued that the Labour Party had given a good deal of thought to this matter when in opposition and had broadly supported the recommendations of the Robens Report. Recent incidents at lead and other factories had shown the importance, from the point of view of ensuring the safety of employees and the public alike, of placing the relevant inspectorates under unified management. This would be provided by the Health and Safety Commission, and one of its further merits was that a major part would be played in its affairs by the trade unions, who were very sensitive to environmental considerations generally, as well as to matters affecting health and safety at work.

THE PRIME MINISTER, summing up the discussion, said that there were strong arguments in favour of not disturbing the present position of the Alkali Inspectorate, and in particular for not separating it from the parallel local authority inspectorates. On balance, however, the Cabinet accepted the view of the Secretary of State for Employment that the Bill should not be amended so as to exclude the Alkali Inspectorate. The Inspectorate, and responsibility for the Alkali Act, should therefore be transferred under the new legislation to the Health and Safety Commission.
The Alkali Inspectorate should remain an identifiable group and the Commission should be responsible to the Secretary of State for the Environment for their work. It should, however, be made clear that a general study of arrangements concerning air pollution was to be carried out and that this might in due course make necessary some adjustments in the Commission's responsibilities.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.
The Cabinet had before them a minute, dated 8 May 1974, from the Secretary of State for Energy to the Prime Minister, about a possible wage dispute involving the drivers of road tankers.

THE SECRETARY OF STATE FOR ENERGY said that the two major oil companies, Shell Mex & BP and the Esso Petroleum Company, which together accounted for about three-quarters of the oil that was moved by road, were having difficulty in the current wage negotiations with their road tanker drivers. They had made an offer which was at the Stage 3 limit. The Transport and General Workers Union (TGWU) Delegates' Conference would be held on 13 May, and it was possible that they would vote in favour of the offer. If not there was a danger of industrial action. He understood that the Secretary of State for Employment did not regard the danger as imminent; but he thought it right to warn the Cabinet that if a strike did take place it would cause considerable disruption. Motorists would rush to fill up their tanks, and filling stations would run out of stock quickly. The only way to safeguard vital services and food distribution would be to use troops to get some supplies through and to provide by Order that those supplies should be available only to priority users. This would require a Proclamation of a State of Emergency as well as the making of Orders under the Fuel and Electricity (Control) Act 1973. The plans were to be reviewed by the Civil Contingencies Unit on 10 May.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet took note of the situation and agreed that if a strike occurred it would be necessary to take prompt emergency action. Meanwhile it was essential to avoid making any public statements that might cause a run on the filling stations or panic buying of food. The Civil Contingencies Unit should keep the situation closely under review.

The Cabinet -

1. Took note, with approval, of the summing up by the Prime Minister.

2. Invited the Home Secretary to arrange for the Civil Contingencies Unit to keep a close watch on the situation and report urgently to the Cabinet if emergency action was required.
7. The Cabinet had before them a letter dated 8 May 1974 from the Private Secretary to the Secretary of State for Industry to the Private Secretary to the Prime Minister, to which was attached a draft letter for the Secretary of State to send to the Chairman of the Post Office.

THE SECRETARY OF STATE FOR INDUSTRY said that the staff situation in the Post Office was serious. Members of the Civil and Public Services Association and the Society of Civil Servants were already taking industrial action, and there was a risk that this would spread since the Union of Post Office Workers (UPW) had been disappointed with the limited pay offer that had been made to them. The Chairman of the Post Office, Sir William Ryland, thought it essential to offer talks with the unions before the UPW began their annual conference. Sir William Ryland accepted that the talks would have to be without commitment on either side, and that any wage settlement would have to be in the context of the policy which was adopted to follow the statutory pay policy. Before Sir William Ryland met the unions the following afternoon it would be necessary to make the Government's views on the question of talks available to the Board in writing. One course would be to agree to talks being opened with a view to reaching a fresh pay settlement; but this would cost at least £110 million and he did not recommend it. On the other hand the Government could not prevent talks taking place, especially as the UPW had a good case for a long term review of their pay. Accordingly, after consulting Sir William Ryland and the trade unions, he thought it right to encourage the Board and the unions to open the talks, but at the same time to make it clear that the Government could not at this stage enter into any commitment. In his letter he would propose to indicate that, although the Government had concluded that there was not sufficient ground for the issue of a general consent on the pay of the Post Office workers, they recognised that it was desirable for the Board and the unions to begin talks; that the Government considered that besides pay the talks should cover the tariff and the investment implications of whatever was concluded; and that the talks would be without commitment on either side or by Government, and their outcome would have to be examined in the context of the social contract and of developments in prices policy. Sir William Ryland disliked the suggestion that the talks should take account of tariffs and investment, but he himself thought it right that any pay proposal should be considered in the light of its implications for tariffs, and there would be advantage in including investment also as the unions were anxious to see the recent investment cuts restored. The inclusion of these subjects would lead to a wider discussion, perhaps on the same lines as the current examination of the coal industry; he hoped that the system of planning agreements would encourage the wider use of discussions.
of this sort, leading to a system of free wage bargaining within price constraints. A letter on the lines that he had proposed might help to forestall militant resolutions at the UPW conference which the Prime Minister was to attend.

In discussion it was argued that although the Government had no power to prevent the Post Office and the unions from entering into wage negotiations, it would be dangerous to encourage them to do so. The teachers and nurses, who, like the Post Office workers, had a strong case for a general increase in pay, would be encouraged to reopen their Stage 3 settlements. Pay increases for these three categories could cost the Exchequer some £400 million a year, which would be equivalent to 1 per cent of the national wage bill. Moreover, it would then become impossible for the General Secretary of the Trades Union Congress to hold to his policy of helping the Government to maintain the Stage 3 limits until a voluntary policy could be introduced. The Retail Consortium and the food manufacturers would also become less inclined to co-operate in a voluntary agreement on food prices, on which the negotiations were at a crucial stage. If, on the other hand, the Secretary of State were to write in terms which avoided encouraging the opening of talks, the UPW might still resolve to open negotiations, but there would then be no need for the Government to express any opinion or for the Prime Minister to say anything of substance at the UPW conference. The Government would still be faced, at the end of the negotiations, with the problem of deciding whether to issue a consent, but at least there would by then have been time to take proper account of the repercussions for other groups.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the draft letter circulated by the Private Secretary to the Secretary of State for Industry should be amended so as not to offer any Government encouragement for talks between the Post Office Board and the unions. It might still be possible, however, to include the suggestion that if the talks did take place they should cover the tariff and investment implications of whatever was concluded for pay. For his speech at the UPW conference he would need to have available a form of words that would reserve the Government's position without provoking an unnecessarily hostile reaction.
The Cabinet -

Invited the Secretary of State for Industry, in consultation with the Secretary of State for Employment -

i. To revise the draft letter on the lines indicated in the summing up.

ii. To arrange for the drafting of an appropriate passage for use if necessary by the Prime Minister at the Union of Post Office Workers conference.

Cabinet Office

9 May 1974
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 16 MAY 1974
at 10.00 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs (Items 1-3)

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales
SECRET

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Lord Shepherd
Lord Privy Seal

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Samuel Silkin QC MP
Attorney General (Items 1 - 4)

The Rt Hon Judith Hart MP
Minister of Overseas Development (Item 1)

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr P D Nairne (Items 3 and 8)
Mr H F T Smith (Items 1, 2 and 3)
Mr P Benner (Items 4, 5 and 7)
Mr J A Hamilton (Item 6)
Mr J Anson (Item 6)
Mr J Roberts (Items 1 and 2)
Mr K R Stowe (Items 4 and 5)
Mr D Evans (Item 3)
Mr R B S Johnston (Item 8)

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1. The Cabinet had before them memoranda by the Secretary of State for Industry (C(74) 31) on the overhauling of aero engines for Hunter aircraft; by the Foreign and Commonwealth Secretary (C(74) 32) on the attitude of the United States Government; and by the Attorney General (C(74) 44) on the legal issues involved. They also had before them a note by the Secretary of the Cabinet (C(74) 36) covering a factual paper by officials.

THE SECRETARY OF STATE FOR INDUSTRY said that in his memorandum he proposed that Rolls Royce (1971) Ltd (RR(71)) should be told to notify the Chilean Government that they were not able to continue engine overhauls or to supply further spares; that the engines with RR(71) or in transit should be returned unoverhauled; and that if necessary we should cancel, refuse, or modify export licences. The factual note by officials showed that although the manufacturers (Hawker Siddeley) had certain obligations to provide spare parts for the airframes of the Hunter aircraft, there was no Government responsibility. There were some outstanding orders covering airframe and associated equipment. It had been argued that by preventing the engines being overhauled and spares for them being supplied, the prospects for arms sales in other countries might be harmed; and he recognised that legal considerations must also be taken into account, although it seemed that these might not present great difficulty. But the decision to be taken was essentially a political one. Great political difficulties would arise if the Government decided that the arrangements should continue. The problem would be partly solved if the Chileans were to decide of their own accord to take back the engines awaiting overhaul; as his colleagues would have seen from a letter from the Head of the Chilean Air Force Mission in London to RR(71), this might be their intention.

THE ATTORNEY GENERAL agreed that if the Chileans asked for the engines to be returned in their present state this would be helpful. The Chilean letter had become available after he had prepared his advice, which therefore rested on the assumption that the Chileans would not be co-operative. The proposals put forward by the Secretary of State for Industry presented considerable legal difficulties. If the Government attempted to persuade RR(71) to break their contract it would lay itself open to the risk of action for damages. There would be no objection to inviting RR(71) to exercise such rights as they might have to bring the contract to an end; but this would not have the immediate effect of stopping the overhaul and ending the supply of spares. There was provision to terminate the contract for overhauling at 3 months notice but if RR(71) availed themselves of this provision they would remain obliged to complete the overhaul of the engines already in their hands and to overhaul any further engines that might be delivered to them within the three months period. The
contract contained no break clause in respect of the supply of
spares, and although it might be argued that it would be
reasonable to end this obligation on one year's notice (or possibly
less if it could be shown that the Chileans could obtain spares
from some other country) the obligation to continue to provide
spares would remain in force during the period of notice. If
both the overhauling and supply of spares were to be stopped
immediately, this would require the exercise of the Government's
power to control exports. There was a bare possibility that
governmental intervention of this kind would render us liable to
legal action and it would be important to consider how to apply
the controls in such a way as to reduce this risk to a minimum.
He would remind his colleagues, however, that the previous
Labour Administration had enabled the Chilean Government to
obtain the Hunters, by arranging for the release of the aircraft
from the Royal Air Force. In 1969 we had in fact encouraged
Chile to buy the aircraft, and fundamentally to change our position
in 1974 because there has been a change of regime in Chile could
dangerously undermine our international reputation for good faith.

THE FOREIGN AND COMMONWEALTH SECRETARY said that he
was unable to support the proposals of the Secretary of State for
Industry. He was concerned at the consequences of such a course
both for our international interests and for the domestic situation.
The Government had shown very clearly by the measures it had
already taken what it felt about the present Chilean regime. The
pressure now being exerted upon the Government in regard to the
aircraft and warships came from a relatively limited sector of
opinion. If this minority were to prevail, the Government would
in future be vulnerable to further pressures of the same kind on
other issues. Our reputation for reliability would be damaged.
The right course was to maintain that contracts in force must be
honoured. The Government should not therefore ask RR(71) to
break their contracts; nor should we use the weapon of export
control, which would also have the probable result of attracting
Chilean retaliation. The correct course was to ask RR(71) to end
their contractual obligation as soon as possible: they should avail
themselves of the right to terminate on three months' notice their
contract to overhaul the engines, and they should seek to
terminate their obligations to provide spares within the shortest
possible time. We should not ask RR(71) to refrain from meeting
such obligations as would remain during the period of notice. As
regards the indication that the Chilean Government might be
considering asking for the engines to be returned in their present
state, he was not in favour of an official approach to the Chileans
about this.
In discussion it was argued that the stand which had been taken by the Labour Party when in Opposition was unequivocal and that it was politically necessary for the Government to act accordingly. The decision to allow the warships to go to Chile was considered wrong by many of the Government's supporters, and if we continued to help the Chilean Air Force there would be deep resentment. The argument that if we took action against Chile this would have repercussive effects on our trade with other countries was open to challenge: Chile was clearly a special case, but even if we were obliged to make some sacrifices, they should be accepted. It was also suggested, however, that the attitude of Union members was by no means monolithic: some Unions did not agree with the call by the Amalgamated Union of Engineering Workers (AUEW) to withhold labour from the warships, and the call had been rejected by a considerable number of AUEW members. It was also argued that although we ourselves considered Chile to be an exceptional case, other potential customers might assume that whenever a country incurred the hostility of a sufficiently influential section of opinion here, contracts between us and that country were liable to be broken. It was noted that whatever course was taken in relation to the contract to overhaul the engines, the workers at East Kilbride would probably continue to refuse to carry out the work.

THE PRIME MINISTER, summing up the discussion, said that it was generally agreed in principle that any provision of arms and equipment to the Chilean Air Force should be brought to an end as soon as possible. The question for decision was the means by which this should be done. It was desirable to avoid Government intervention since this could damage our international standing as reliable trading partners, and could lead to legal difficulties. We should therefore try to get RR(71) to give the necessary three months' notice to terminate their obligation to overhaul engines, and their contractual obligations to provide spare parts should also be brought to an end as soon as possible. If the obligation could be terminated in this way, within the contractual framework, there would be far less reason to fear adverse repercussions on our international trade. If RR(71) were unwilling to proceed in this way, or if arrangements for terminating the obligation to supply spares within a reasonable time could not be agreed, the Cabinet would have to review the position again. He and the Ministers immediately concerned would consider the public presentation of the decision reached.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Secretary of State for Industry to proceed with RR(71) accordingly.
2. The Cabinet considered a memorandum by the Attorney General (C(74) 39) on the legal aspects of the supply of a Westland Wasp helicopter to South Africa together with a note by the Secretary of the Cabinet (C(74) 40) circulating a paper by officials on the factual background to the sale.

THE ATTORNEY GENERAL said that in 1971 the South African Government had ordered 7 Westland Wasp helicopters. The order was placed after the Conservative Government had announced their acceptance of the advice of the Law Officers of the day, which had been published as a White Paper (Cmnd 4589) that they were under an obligation to permit the export of Wasp helicopters to equip the three frigates supplied under the Simonstown Agreement. Six of these helicopters had been delivered. The seventh was due to be completed in June and an export licence, issued by the previous Administration, was held by the South African Embassy. He had been asked whether the revocation of this export licence would be consistent with our legal obligations. He adhered to the view, expressed by the Shadow Law Officers at the time, that the Opinion of the Conservative Law Officers in 1971 overstated our legal obligations under the Simonstown Agreement. But events since then had altered the legal position. In his opinion the revocation of the export licence for the Wasp helicopter would conflict with our international legal obligations, and he could not advise that the licence be revoked or that any steps be taken to prevent delivery of the helicopter.

THE PRIME MINISTER, summing up a short discussion, said that in view of the clear warning he and his colleagues had given when in Opposition, that if the Conservative Government decided to sell arms to South Africa an incoming Labour Government would repudiate the contracts, the South African Government were aware when they concluded the contract that it would be at risk. The Cabinet agreed that the licence should be revoked. We must bear in mind the strong feeling in Black Africa. He would consider further, in consultation with the Foreign and Commonwealth Secretary, how this decision might best be announced; it might be convenient to combine this with an announcement on the supply of equipment to Chile.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.
3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the efforts of the American Secretary of State, Dr Kissinger, to secure an arrangement between Israel and Syria which would end the fighting, had reached a delicate stage and it was not possible to predict the outcome. The shocking events of the previous day, when many schoolchildren were killed or wounded after being taken hostage by Arab terrorists, were no doubt intended to frustrate Dr Kissinger's mission, and would certainly have set it back.

THE FOREIGN AND COMMONWEALTH SECRETARY said that in recent conversation with the Soviet Ambassador the Prime Minister and he had taken a firm line, in the context of improving relations, about the difficulty encountered by our Ambassador in Moscow in obtaining access to the Soviet leaders. Our Ambassador had been received by the Soviet Foreign Minister, Mr Gromyko, the previous day and was seeing the Soviet Prime Minister, Mr Kosygin, that day. There were also indications of improved prospects for trade with the Soviet Union.

The Cabinet -

1. Took note of the statements by the Foreign and Commonwealth Secretary.

THE FOREIGN AND COMMONWEALTH SECRETARY recalled that he had reported to the Cabinet on 2 May the conclusions reached by the Ministerial Committee on European Community Strategy (ECS) on the principal elements in the renegotiation package which we should seek from the Community. These covered fairer treatment for the United Kingdom in the Community budget; the Common Agricultural Policy (CAP) and the measures of reform, access and price arrangements we should seek; and our trade and aid objectives in relation to Commonwealth and developing countries. He had informed the Cabinet that bilateral consultations with both Community and Commonwealth countries would be undertaken at official level. Of the Community countries, only France had refused to take part in bilateral discussions and this was perhaps understandable in view of the present stage of the Presidential Election. Bilaterals had now taken place with all the other Community countries; we had explained in detail our case for a change in our contribution to the Community budget, but for tactical reasons we had held in reserve
the substance of the solutions we might propose. He would circulating in due course a full analysis of the outcome of the consultations with Commonwealth countries. Very briefly the overall impression was that the Commonwealth approached our ideas on renegotiation with no sentiment and we must expect hard bargaining, particularly on the questions of getting better access to the United Kingdom and to the Community markets, and of securing remunerative prices. Both the New Zealand Government and the countries of the Commonwealth Sugar Agreement (CSA) had now decided to send representatives to this country for further discussions.

The next stage in the renegotiation process would be the meeting of the Council of Ministers (Foreign Affairs) in Luxembourg on 4 June. Both from the bilateral consultations which had been taking place, and from a recent meeting with M Ortoli, the President of the Commission, it seemed unlikely that the Council would be able on that occasion to go further than to discuss the procedures for handling renegotiation. There would be further work during the summer, but serious negotiation could not be expected until the autumn.

The ECS Committee had now been able to consider thoroughly further matters relating to renegotiation arising on Regional and Industrial Policies. The Committee had concluded that we should be ready to continue to discuss the proposed Regional Development Fund (RDF) if other Governments wished, partly because the Fund might be of value to the United Kingdom and partly because the establishment of a satisfactory RDF was an important objective for the Italian and Irish Governments and it would be tactically wrong to forfeit their goodwill during the renegotiation period by blocking progress. But we should have to make it clear that we would not expect final decisions to be taken before we could see the probable outcome of renegotiation, notably on the Community Budget. The Committee had considered Regional Aids against the background of experience relating to our own aid policies. It was considered in our interest to participate in the Community Working Party with a view to securing our own objectives in the context of formulating rules on regional aid for the Community as a whole. We should need to obtain satisfactory results, and to ensure that we achieved adequate flexibility for our future policies; we should continue to reserve our position on the right to propose Treaty amendment if our essential needs could not otherwise be met. We should also undertake a deeper study of the problem of capital movements, which had potentially important implications for regional policies. Our approach on industrial policy should be to explain to the Council that, while we did not wish to harm other Community countries, the British Government was committed to an interventionist policy and would require assurances about the way in
which the Treaties and the Community rules might be applied to our industrial measures and, in particular, to our policies for steel. The Secretary of State for Industry would be discussing our objectives in a constructive way with the Commission.

In the light of this ECS discussion he proposed in outlining further our renegotiating objectives at the Council Meeting on 4 June to say that Community Regional and Industrial Policies raised important problems for this country, and that they must therefore have a central place in renegotiation. He would continue to keep the Cabinet informed as to the further stages in the renegotiation process. In the meantime the Legislation Committee under the chairmanship of the Lord President would be getting on with the task of examining the role of Parliament in the general context of our renegotiation policy.

THE PRIME MINISTER, summing up a brief discussion, said the Cabinet was in general agreement with the approach to the next stage of renegotiation. The detailed and tactical presentation of our case must now be left for the Foreign and Commonwealth Secretary to settle, although he would of course consult his colleagues directly concerned as appropriate. Since we were now in a situation of continuing negotiation it would not be appropriate for the Foreign and Commonwealth Secretary’s statement in the Council on 4 June to be issued as a White Paper although it might be useful to make it available to the Press.

The Cabinet -

2. Took note with approval of the Prime Minister’s summing up of the discussion.

3. Invited the Foreign and Commonwealth Secretary to be guided accordingly.
4. The Cabinet were informed of the business to be taken in the House of Commons during the following week. It was proposed that the House should adjourn for the Whitsun Recess on 24 May and resume on 10 June.

It was important to avoid giving the impression that any decision to set up an independent inquiry into nurses' pay had been taken in response to pressure from the Opposition, and it was therefore desirable that any such decision should be reached in time for an announcement to be made during, or in advance of, the debate on National Health Service pay which was to take place on 23 May after the conclusion of the debate on the Motion to adjourn for the Whitsun Recess. There was a good prospect that this could be arranged, although there would have to be further discussions with the Trades Union Congress and careful thought would have to be given to the danger of repercussions and to the possible need for parallel action in relation to other groups - for example, teachers. If necessary, a report on the outcome of this further work might be made to the Cabinet on the morning of 23 May so that the Secretary of State for Social Services would be able to meet representatives of the Staff Side that afternoon and then make an announcement in the course of the Debate. On this basis it did not seem necessary to alter the arrangements for the Prime Minister to meet representatives of the nurses on 20 May. It was reported that the provisions which had been included in many pay agreements for increases to be made in pay in response to increases in the retail price index above a certain level were likely to come into effect shortly. The Ministers concerned would be giving careful thought to the very difficult presentational problems which would arise and should report their conclusions to the Prime Minister.

THE LORD PRESIDENT OF THE COUNCIL said that he had put the Cabinet's proposals concerning a register of Members' interests to the Parliamentary Labour Party at its meeting on Wednesday evening, when they had been agreed. It would, however, be necessary for the draft of the resolution setting up the Select Committee which had been circulated at that meeting to be extended, so that it could meet all the procedural requirements for such a proposal. Mr Hamilton had carried an amendment at the Party meeting specifically applying the register to the Lords and to lobby correspondents. But it would be imprudent to do this without prior consideration by the
Select Committee and, with the agreement of the Chairman of the Parliamentary Labour Party, he proposed not to embody this amendment in the Government's resolutions. Instead the revised version would require the Select Committee to consider what classes of person (if any) other than Members ought to be required to register. As to timing, he expected the Select Committee to report very quickly on that part of their remit concerned with registrable interests: he did not consider it practicable to tie them to a specific date but in his speech on the resolutions he would make it clear that the House should have received and, if possible, have considered the Committee's report on these aspects before the Summer Recess. The report on the possible extension of registration beyond Members might take longer to prepare. He proposed to table the resolutions that evening and they would be taken on Wednesday 22 May on a free vote.

The Cabinet -

Took note.

5. The Cabinet considered a memorandum by the Lord President of the Council (C(74) 42) about the salaries and allowances of Members of Parliament.

THE LORD PRESIDENT OF THE COUNCIL said that there was great pressure from Members for some increase to be made in their salaries and allowances, the current rates of which were introduced in January 1972 following the review undertaken by the Top Salaries Review Body (TSRB). The report of the TSRB had then said that such reviews should take place only at intervals of about four years, corresponding roughly to the lifetime of a Parliament of normal length, although intermediate adjustments were not excluded. He did not think it right in present conditions to initiate another general review of Members' salaries and allowances but he proposed that the TSRB should be asked to carry out a limited review of the levels of the allowances, which were demonstrably inadequate. The Chairman of TSRB had informally agreed that if asked the TSRB could carry out such a review very quickly. If the Cabinet agreed, he proposed to make an early announcement of this limited reference to TSRB.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet agreed that the TSRB should be asked to undertake a speedy and limited review of the level of Members' allowances, and that no commitment should be entered into in respect of Members' salaries. Even a move towards increases in...
in allowances would be sensitive politically and it would be helpful therefore to give prominence to the very real problems of Members' secretaries, whose current salaries were inadequate but could only be increased at the expense of Members themselves. There was a case for a fundamental review of the way in which provision was made for Members' secretaries; but it would be premature to enter into any commitment to this, especially since discussions were currently taking place with the Opposition about financial assistance to opposition parties, which might well include inter alia provision for adequate secretarial and research support in a different form from the present secretarial allowance. As regards the Lords, an increase in the Lords' attendance allowance should also be considered and an announcement to this effect be made simultaneously with an announcement of the TSRB reference on Members' allowances. There was, however, a case for considering such an increase in the context of establishing a closer relationship between entitlement to the allowance and the actual incurring of expenses; and the Lord Privy Seal and the Lord President should examine the matter further.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Lord President to proceed accordingly, in consultation with the Lord Privy Seal on peers' allowances.

6. The Cabinet considered a memorandum by the Lord President of the Council. Their discussion and the conclusions reached are recorded separately.
7. The Cabinet had before them a memorandum by the Prime Minister about the rules governing the political activities of special advisers to Ministers (C(74) 41).

THE PRIME MINISTER said that hitherto the rules governing the political activities of civil servants had applied also to special advisers. This meant that an adviser should not allow himself to be adopted as a Parliamentary candidate without first resigning his appointment as an adviser or making arrangements to be remunerated from other than public funds, and that he should not offer himself for election or serve as a member of a local authority while paid from public funds. These rules had in the past been applied strictly, and in 1971, as a result of Questions which he himself had asked in the House of Commons, an adviser appointed by the previous Administration had resigned his membership of a local authority. There were at present two Ministers with special advisers who were members of local authorities, and the question arose whether the application of the existing rules to advisers should not be reviewed, bearing in mind the more extensive appointment of such advisers by Governments of either political complexion, and the changing public attitude, particularly following the Fulton Report, towards the involvement of public employees in political work.

In discussion, it was argued that the source of an adviser's remuneration was not relevant; the question at issue was whether his functions as an adviser might be incompatible with his functions as a member of a local authority or as a Parliamentary candidate. So far as local government was concerned, a possible conflict of loyalty could in practice be prevented by requiring him to observe certain conditions - for example, he might be asked not to serve on any local authority committee working in a field for which his Minister had responsibility; not to speak publicly or in the Council on such matters; and not to be present if his Minister received a deputation from his local authority. But given that possible conflicts of loyalty could thus be avoided, it was very desirable, if the potential value of special advisers was to be fully realised, that they should be actively engaged in political life. Moreover, they were not wholly analogous with permanent civil servants in that they would cease to hold their appointments immediately a change of Government took place, so that the need to preserve political neutrality did not arise with the same force - indeed, one of their most useful functions was precisely to advise Ministers on a political basis. Moreover, even in the permanent Civil Service there was no absolute ban on participation in local government; the current instructions were that Departments could give permission to serve on local authorities to the maximum extent compatible with the maintenance of political impartiality; and (with the exception of Private Office staff) it was normally only at the level of Assistant Secretary and above that it might be necessary
to refuse permission. No major change of principle would therefore be involved in allowing special advisers to serve on local authorities. As regards Parliamentary candidature, there seemed no reason why the relevant Statutory Instrument should not be amended so as to allow a special adviser to stand for Parliament, provided that he resigned as an adviser immediately he was elected. A similar question could arise in relation to Peers; and there seemed no reason why a Peer should not act as a special adviser provided that he did not speak or vote in the House of Lords.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the principle at issue was not primarily the source of a special adviser's remuneration but the question whether his duties as an adviser were incompatible with political activity. They inclined to the view that the present rules should be relaxed so as to allow special advisers to take part in local government at the discretion of their Departments subject to certain generally accepted conventions. But the Lord President should arrange for the circulation to the Cabinet of a memorandum examining the matter further, and in particular making recommendations as to any conditions, perhaps on the lines mentioned in the discussion, which it might be desirable for Departments to impose when authorising participation in local government. The memorandum should also, in the light of the Cabinet's discussion, examine further the position of special advisers in relation to Parliamentary candidature and the conditions under which Peers might be appointed as special advisers. No announcement should be made until the Cabinet had discussed the matter further; but special advisers who had already been appointed could be informed that there was at present no question of their being required to give up existing membership of a local authority or of discontinuing their remuneration from public funds. When the Cabinet had considered the matter further it would probably be desirable to have discussions with the Opposition in advance of any announce-ment, and it might prove helpful to relate those discussions to the more general question of financial help for Opposition Parties in carrying out their Parliamentary functions.

The Cabinet -

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

2. Invited the Lord President of the Council to circulate a memorandum on the lines indicated in the summing up.
THE SECRETARY OF STATE FOR EMPLOYMENT said that Shell-Mex and BP and the Esso Petroleum Company, which together controlled about three-quarters of oil tanker movement, had made a pay offer to their tanker drivers which the Transport and General Workers Union (TGWU) had recommended their members to accept. At union delegate conferences held earlier that week a decision had been taken, by a small majority, to reject the offer and to instruct the TGWU to seek a meeting with him. Although the delegate conferences had agreed that normal working should continue, unofficial action had been taken by the Shell-Mex/BP drivers in several areas and this had now spread to Esso. At present the effect of this action was small, but if it spread widely the situation would be most serious. He had met Mr Jackson, senior official of the TGWU, on the previous day and agreed to a further meeting with TGWU representatives on 20 May. This information had been sent to TGWU branches, and to the employers, and he hoped it would enable the industrial action to be contained over the week-end. In the meantime, he would arrange for the Pay Board to explore whether there might be any scope, within the code, for an improved offer although there seemed little prospect for this. His officials were also examining ways of making the pay offer more attractive; he would in any case tell the TGWU that within a few months statutory controls would be lifted and they would be free to bargain with the employers. A settlement by agreement was imperative; full backing should be given to the TGWU who were anxious to contain the unofficial action. The contingency plans, which required the use of troops and the declaration of a State of Emergency, would be an unsatisfactory way of dealing with the situation which could develop.

THE SECRETARY OF STATE FOR ENERGY said that the unofficial action by drivers had taken the form of overtime bans, partial loading of vehicles and 24 hour strikes. If the action spread, it could lead to supplies throughout the country being cut by 15 to 25 per cent, which would cause difficulties for vital users. A more severe reduction, affecting one area only, such as Scotland, would be difficult to handle since bringing in Servicemen in one area could precipitate a national stoppage.

Although the unofficial action had now spread beyond Shell-Mex/BP to Esso and Petrofina, the total effect on supplies was not yet significant. In Scotland however the action which had begun at Grangemouth had spread and was potentially troublesome. No Press reports of the stoppage had appeared.

THE HOME SECRETARY said that the Civil Contingencies Unit had considered what the Government might do if the unofficial action spread. Servicemen could only move about 20 per cent of normal oil supplies, and since their employment would be likely
to precipitate a nation-wide strike implementing the contingency plan should be a last resort. On the other hand, it might be necessary to take a risk and use Servicemen in a limited area if there were no other way of getting supplies to vital users. Several days' notice were required before Servicemen could start moving petrol and oil, and it would take three to five days for the operation to build up to full capacity. He had authorised, within central Government, all possible covert planning of this contingency to be carried out; but wider consultations, including discussions between army districts and local representatives of the oil industry, briefing of Chief Constables, confidential discussion with Post Office unions and preparations for Press advertising carried, in total, a risk of the contingency plans leaking out. On balance, the damage which a leakage of the Government's plans might cause by exacerbating the industrial situation and by leading to a run on the petrol stations outweighed the benefits of a quicker reaction time. He would consider the situation again with the Civil Contingencies Unit in the light of the outcome of the Secretary of State for Employment's meeting on 20 May with the TGWU.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet agreed that the Secretary of State for Employment should continue his efforts to reach a settlement which had the support of the TGWU. The Home Secretary, in consultation with the Secretary of State for Energy, should continue to watch the situation but, bearing in mind the risks of a leakage, should not carry further the consultations about plans to deal with a stoppage until the outcome of the further meeting with the TGWU was known.

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 Home Secretary to be guided accordingly.

Cabinet Office

16 May 1974
The Cabinet considered a memorandum by the Lord President of the Council (C(74) 43) about the third interim report of the Top Salaries Review Body (TSRB).

**The Lord President** said that a Ministerial meeting on 26 April had agreed by a large majority that the main recommendations of the third interim report of the TSRB should be accepted. The Meeting had however felt doubts about the recommendation that the groups covered by the report should benefit from threshold agreements as permitted by the Pay Code, giving an extra 40p a week for each 1 per cent step in the retail price index over the threshold level. It had been felt that this would look ridiculous and would make it more difficult to set up a voluntary incomes policy. He had discussed the matter with the Chairman of the TSRB, who had said that he hoped the Review Body would not overreact, but they would be sad if, for the first time, one of their recommendations was rejected. This was not an issue of great importance, and it was a matter of judgment how far it would be an irritant to the trades unions. On balance, he recommended that the TSRB recommendations should be implemented in full.

In discussion, it was argued that at a time when some groups, like the nurses, were having to fight for much smaller increases, it was unsatisfactory for higher-paid groups to receive increases of £350 under an automatic procedure. At the meeting on 26 April, it had been suggested that a preferable course might be to deny increases to all those earning more than £10,000 a year, and for Cabinet Ministers’ salaries to be reduced to that level. The threshold proposal, in particular, was derisory and should be rejected, particularly as other groups, such as engineers, would have to bargain for the award of any such arrangements. As regards the other recommendations, even if these might now have to be accepted as the report had already been received, the whole question of top salaries should be referred to the Royal Commission.
on Income Distribution as soon as it was set up. The timing of any announcement on the third interim report also needed to be further considered: it should be chosen so as to attract the minimum publicity, and it was for consideration whether it could not be postponed until after the end of statutory pay control. On the other hand, it was argued that the groups concerned would only receive, after tax, a small proportion of the £350 increase. Having regard to inflation and the recent increases in personal taxation, their net purchasing power might well fall, over the year, by up to 20 per cent. While this did not eliminate the presentational problem, it had been recognised in the past that the management of nationalised industries could suffer if a ceiling was imposed on the public sector and not on the private sector. The aim of the Royal Commission on Income Distribution should be to put the spotlight on the private sector, which was better furnished with, for example, expense accounts and, in some cases, also able to draw on capital. As regards the threshold proposal, the point was of limited importance one way or the other, but if threshold agreements were not given to Civil Service Under Secretaries, this would create an anomaly since the Assistant Secretaries would have overtaken them by the end of the year. A possible solution might be to allow threshold agreements only to those earning less than £10,000 a year. As regards the timing, a short delay would be possible, but the report had already been in the Government's hands for some time, and the report of the Review Body on Armed Forces pay was being dealt with more speedily.

THE PRIME MINISTER, summing up the discussion, said that the general feeling in the Cabinet was in favour of accepting the main recommendations of the TSRB third interim report, but the recommendation on threshold agreements should be further considered to see whether the award of such agreements only to those earning less than £10,000 a year would avoid anomalies in the Civil Service. The timing of an announcement should also be further considered in the light of the points made in discussion. When these two points had been examined, the Cabinet would resume their consideration of the matter with the aim of reaching a decision in the following week.

The Cabinet -
Invited the Lord President to consider the suggestion that threshold agreements should be awarded only to those earning less than £10,000 a year, and to examine the question of the timing of an announcement, and to report his conclusions on these points to the Cabinet at their next meeting.
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 23 MAY 1974
at 10.15 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food
I
The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Samuel Silkin QC MP
Attorney General (Item 8)

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

Mr Robert Sheldon MP
Minister of State, Civil Service Department
(Items 5-7)

SECRETARIAT

Sir John Hunt
Mr P Benner (Items 1-3 and 9)
Mr J A Hamilton (Items 4-8)
Mr J Anson (Item 6)
Mr H F Ellis-Rees (Item 8)
Mr R L Baxter (Items 4 and 7)
Mr R G S Johnston (Item 5)

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QUESTIONS OF PROCEDURE

1. THE PRIME MINISTER recalled that the memorandum on Questions of Procedure for Ministers (C(P)(74) 1) required that all memoranda for the Cabinet and for Committees of the Cabinet should be circulated at least 48 hours in advance. There had been a number of recent departures from this rule. Urgent matters occasionally arose where it could not be observed; but it was of the greatest importance that it should be strictly adhered to wherever possible. Ministers must also understand that even on urgent matters it might be impossible for the Cabinet to reach decisions if they had not had time adequately to brief themselves, particularly when there had not been interdepartmental consultation before a memorandum was circulated. C(P)(74) 1 also required any Minister who wished to make a statement in the House of Commons to give the Lord President advance notice. It was essential that this rule also should be strictly observed; failure to do so might react very unfavourably on the smooth conduct of Parliamentary business.

PARLIAMENTARY AFFAIRS

2. The Cabinet were informed of the business to be taken in the House of Commons during the week following the Whitsun Recess. It had not yet been decided whether 13 June should be used for further progress with the Prices Bill or for a debate on Europe. There was a strong case on several grounds for using that day for a European debate, and this was the course favoured by the Opposition; the difficulty was that the Foreign and Commonwealth Secretary had an engagement outside London that afternoon which it might not be easy for him to break or re-arrange.

TIMING OF LEGISLATION FOR £10 CHRISTMAS BONUS

3. The Cabinet considered a memorandum by the Secretary of State for Social Services about the timing of legislation for the £10 Christmas bonus (C(74) 47).

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that at their meeting on 17 May the Social Services Committee had agreed that a £10 Christmas bonus should again be payable to pensioners this year, and that the categories of those entitled to it should be widened as compared with earlier years. They had, however, not been able to agree on the timing of the legislation or of an announcement of the Government's intentions; in particular, it had not been settled whether the appropriate provisions should be included in the Bill increasing national insurance contributions with effect from April 1975, which on present plans would be receiving its Second Reading in the House of Commons before the Summer Recess. She herself favoured a Bill dealing with both matters. First, the inclusion of the bonus provisions would sweeten the
contribution increases which the Bill would be imposing.
Secondly, in view of the present difficulties which were being experienced with staff in the Department of Health and Social Security (DHSS), it would be necessary for early consultations to take place with the Staff Side, whose willingness to undertake the additional work involved in an extension of entitlement to the £10 bonus must be in some doubt; the consultations would have to be started soon and there would then be a substantial risk of a leakage of the Government's plans. These risks could be minimised if a Bill were published at an early date. Thirdly, since payment of the bonus would be in the week beginning 18 November the necessary legislation would have to reach the Statute Book by the beginning of that month at latest. The contributions Bill might well have not got further than the Second Reading stage by the summer recess; and it seemed unrealistic to plan on the basis of two separate Bills having to reach the Statute Book by early November.

THE CHANCELLOR OF THE EXCHEQUER said that from a budgetary point of view he would prefer to keep all options open for as long as possible, and therefore to provide for the £10 bonus in a separate Bill which would not be introduced until after the recess. Moreover, since the staff of the DHSS might not be willing to co-operate in the proposed extension of entitlement to the bonus, it seemed desirable that consultations with them should have been completed before the Government gave any formal indication of their intentions.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet agreed that the £10 bonus should be provided for in a separate Bill which would be introduced after the summer recess and which, if previous practice were adhered to, would probably complete all its stages in the House of Commons in a single day. This seemed the most satisfactory course presentationally; and it would have the further benefit that the Government would not be committed to widening the categories entitled to the bonus in advance of knowing whether the co-operation of the DHSS staff would be forthcoming.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Secretary of State for Social Services to be guided accordingly.
4. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(74) 54) on the pay claims of nurses, teachers and Post Office workers.

THE CHANCELLOR OF THE EXCHEQUER said that his memorandum set out the conclusions that had been reached by the Ministerial Committee on Economic Policy (EC) subject to endorsement by the Cabinet. The Committee had agreed that the strength of feeling among the nurses and the merits of their case made it essential to offer them some concession and that if this were done it would be difficult to withhold similar concessions for the teachers and the Post Office workers. They recommended therefore that there should be independent pay reviews for the nurses and the teachers; the review for the nurses should be undertaken by the Doctors' and Dentists' Review Body (DDRB) provided that this was acceptable to the Staff Side and the Review Body; and the review for the teachers should probably be done by an ad hoc body. The Committee agreed that the settlement for the nurses would be retrospective to the date of the announcement of the review; they took no decision on retrospection for the teachers, but he was prepared to accept the advice of officials that their review also should be retrospective to the date of its announcement. The Secretary of State for Social Services would have liked to be able to say that the DDRB would be free to recommend an interim payment for the nurses if they felt that the situation warranted it, but the general feeling in the Committee was that the repercussions of this would be dangerous. The Post Office workers were already negotiating and the Committee agreed that they might be told that the resulting settlements could be implemented after the end of the statutory controls but not backdated before that. He would hope that the cost of this would be met by increases in the Post Office tariffs.

He recognised that these recommendations of the Committee might result in a general opening up of the settlements already reached in Stage 3 with serious inflationary consequences. Nevertheless he had not opposed them. He thought that the most important consideration was that there would be a better chance of getting a voluntary policy properly launched if these three difficult public service cases were dealt with before the meeting of the Trades Union Congress (TUC) in September. Exceptional treatment of these cases could be justified on the grounds that before introducing new voluntary guidelines it was necessary to correct the adverse effects of the statutory policy on some sectors of the public service.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that she had seen Lord Halsbury, the Chairman of the DDRB, who had agreed that the review of nurses' pay should be undertaken not by the DDRB itself but by a special panel including some women. In view of the decision to backdate the result of the review to the date...
of its announcement she would not now press for an interim payment. She would see the nurses' Staff Side later in the day and would announce the review in Parliament in the afternoon.

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that he would prefer to set in hand an ad hoc review of teachers' pay than to offer free negotiations in the Burnham Committees. A negotiated settlement would require an open decision that he would not use his veto, whereas he need express no opinion on the results of an ad hoc review until they came to the Burnham Committees for formal approval. A review would be more likely to meet the need for an adequate pay structure for career teachers. He proposed to meet the teachers' unions the following day and to announce the review in a Written Parliamentary Answer the same afternoon.

THE SECRETARY OF STATE FOR SCOTLAND said that he agreed with the Secretary of State for Education and Science. He would favour a single ad hoc review body to cover Scotland as well as England and Wales.

THE SECRETARY OF STATE FOR INDUSTRY said that he agreed that the Post Office unions must be made to recognise the effect of their pay claims on tariff increases. He proposed to meet them that afternoon and in spite of the embarrassment that might result in his relations with them he would agree to defer any public announcement for the time being, so that the three announcements should not come too closely together.

In discussion it was argued that the retrospective implementation of the nurses' review combined with the payments resulting from the triggering of the threshold agreements could produce a pay increase for the nurses of about 30 per cent. The figure for the teachers would be similar. If these figures were taken as setting a pattern for future pay increases the consequences for prices would be extremely serious. On the other hand it was argued that though the Government could not give directions to the review bodies, the review bodies could be relied on to take account of all relevant factors; and although the threshold agreements which were available to all were not strictly relevant to questions of relativities, it was likely that they would in practice be taken into account. The aim must be to try to establish the principle that pay claims in the next wage round would take account of the threshold payments made in the current wage round, so that unions would not expect to be compensated twice for the same price increases. In any case the best hope of persuading the trade union movement to acquiesce in exceptional treatment for nurses and teachers seemed to lie in disposing of these cases in the interval between the end of the statutory pay policy and the meeting of the TUC in September.
THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the conclusions of the Ministerial Committee on Economic Policy. The settlements for nurses and teachers should take effect from the dates of the announcement of the reviews; and the settlement for the Post Office workers should be implemented after the end of the statutory controls. The review for the teachers should be undertaken by a single ad hoc body covering England, Scotland and Wales. The Cabinet agreed that the Secretaries of State for Social Services, for Education and Science and for Industry should make separate announcements as they proposed. The Ministers responsible for relations with the pay review bodies should do anything they could to ensure that in their recommendations the review bodies would take adequate account of the payments made under threshold agreements.

The Cabinet -

1. Endorsed the conclusions of the Ministerial Committee on Economic Policy.

2. Invited the Secretaries of State for Social Services, for Industry and for Education and Science to make separate announcements on the lines that they had proposed.

5. The Cabinet considered the Secretary of State for Social Services' minute of 21 May to the Prime Minister. Their discussion and the conclusions reached are recorded separately.
6. The Cabinet considered a memorandum by the Lord President of the Council. Their discussion and the conclusions reached are recorded separately.

7. The Cabinet considered a memorandum by the Lord President of the Council (C(74) 53) to which was attached a note by the Minister of State, Civil Service Department, making proposals for an improved pay offer for Government scientists.

THE MINISTER OF STATE, CIVIL SERVICE DEPARTMENT, said that the method of determining scientists' pay had been in dispute between the Official Side and the Institution of Professional Civil Servants (IPCS) since 1971. Their prolonged negotiations had been interrupted by the statutory incomes policy, and scientists' pay had fallen badly behind. The scientists were angry and had started industrial action. In April 1974 a report by the Pay Board, that both sides were committed to accept, recommended that scientists' pay in future should be determined by pay research rather than by internal Civil Service relativities. Since it would not be possible to mount a pay research survey before 1 January 1976, the Cabinet had agreed on 2 May that the scientists should be given a pay settlement outside Stage 3 by means of a consent.

The IPCS Conference in their militant mood would have rejected any proposal that was put to them, but now that the Conference was over he thought that it should be possible to produce an offer that would be accepted. The proposal in his paper was to add an extra £150 increment to the top of the scale for Higher Scientific Officers; to shorten the scale for Scientific Officers by one point; and to improve the rate of progression for Assistant Scientific Officers by splitting their scale. These proposals, although less than the IPCS had claimed, would probably be enough to settle the dispute; and although they did not result directly from any pay research evidence he thought that they could be justified as an interim settlement broadly based on the Pay Board's report.
THE PRIME MINISTER, summing up a short discussion, said that the Cabinet agreed that the scientists had suffered badly as a result of the successive stages of the incomes policy, and accepted the proposals in the paper by the Minister of State, Civil Service Department.

The Cabinet -

Took note with approval of the summing up of their discussion by the Prime Minister and invited the Lord President of the Council to proceed accordingly.
8. The Cabinet considered memoranda by the Lord Chancellor (C(74) 48) and the Chancellor of the Exchequer (C(74) 55), and a note by the Secretary of State for Industry (C(74) 51) about the future of the Concorde aircraft project. They also had before them a note by the Attorney General (C(74) 46) to which were attached the Opinion of the Law Officers on the consequences of unilateral withdrawal from the project and a memorandum on the question of damages.

THE LORD CHANCELLOR recalled that the Cabinet at their discussion on 21 March had agreed that a Committee of Ministers should be formed to examine all the issues relevant to the future of the project. Discussions with the French Government had been interrupted by the calling of the French Presidential Election, but the new Government could be expected to be ready to resume the talks early in June. Before then we should establish our own view of the project and define our objectives. The realistic choice lay between stopping entirely and continuing with the programme to complete 16 aircraft, whose construction was already well advanced: the financial benefit from completing fewer than 16 would at this stage be outweighed by the political disadvantages; on the other hand, for five of the 16 aircraft there were still no orders, and there was consequently no sound reason for building any more. In their deliberations the Committee had taken account of a number of factors. Cancellation would make about 13,400 jobs redundant, and they recommended that in this event there should be a special redundancy scheme, and other measures of assistance. The effect of cancellation on the aircraft industry as a whole was not likely to be significant; but cancellation was strongly opposed by the trade unions, particularly the Confederation of Shipbuilding and Engineering Unions (CSEU). Once production had ceased it would be extremely difficult to restart the programme. The effect of either choice on the balance of payments was not likely to be crucial; but British Airways (BA) insisted that they could only operate Concorde at a considerable loss, though they admitted that their estimate of £110 million over ten years had a wide margin of uncertainty; there was also the risk that Concorde might still be refused permission to land at New York, Tokyo or Sydney, or to overfly countries supersonically. The Law Officers had taken the view that the arguments in favour of cancellation were stronger now than in 1964, when a number of factors relating to the aircraft's marketability were still unclear; though they acknowledged that the French could argue that marketability could only be proved when the aircraft had entered service. The Foreign and Commonwealth Office had drawn attention to the damaging implications of a unilateral decision on our part to withdraw from the project. The cost of completing the programme of 16 aircraft was estimated at £361 million, or £400 million if only 11 aircraft were sold; the cost of cancellation would be £120 million, with the possibility of
a further £150 million if maximum damages were to be awarded against us. On the whole, the balance of opinion in the Committee would prefer the project to be cancelled, provided that the agreement of the French Government, however reluctant, could be secured. But if the French Government were determined to continue, the damage in political terms, to say nothing of possible financial damages, could be so great as to make cancellation decidedly unattractive. In those circumstances the Committee considered that we should complete 16 aircraft. Accordingly he recommended that his colleagues should take an early opportunity of exploring the new French Government's views about the project and their attitude to the question of cancellation, and should then review the position and make their decision.

THE SECRETARY OF STATE FOR INDUSTRY said that it was now generally accepted that Concorde should never have been started, and that it would be convenient if the project could now be stopped without unpleasant and expensive consequences; but M Giscard d'Estaing's statement in the election campaign had made it clear that such a course would not be acceptable to the new French Government. The United Kingdom had now spent £545 million on Concorde and the cost of cancellation, plus damages, could bring the amount to over £800 million, for which there would be nothing whatever to show. On the other hand, to complete the 16 aircraft might cost only a further £90 million spread over five years. Concorde was unquestionably a supreme technological achievement, and the only project in which we could justifiably claim to have beaten the rest of the world. Although it had originally been wished on Bristol by the Government of the day, half a generation of the highest engineering skills had now been lavished on it, and experience elsewhere suggested that if it were now stopped these skills would not easily be reabsorbed. All new technologies were costly to launch, but supersonic travel was here to stay; proving flights for Concorde were already being arranged, and there was a real possibility of further orders - Iranair was already seriously interested. The cancellation of Concorde would gravely damage both the reputation of British engineering and our credibility as a reliable partner in collaborative ventures; it would flatly rebuff the advice of the Trades Union Congress and the CSEU. The sudden rupture of so large a programme would have no parallel in British industrial experience; it would impose a severe psychological shock on the country at large, and the political repercussions, both in Bristol and more widely, might be difficult to contain: the example of Upper Clyde Shipbuilders should not be forgotten. Above all, common sense demanded that a programme which was so nearly completed should be finished. He accepted that the final decision must be taken by the Cabinet; but he must warn his colleagues that if we were to withdraw from the project and the French were to bring their part of it to completion, it might prove difficult for the Government to overcome the reproach of having thrown away for nothing the product of so much effort and expense over so many years.
THE CHANCELLOR OF THE EXCHEQUER said that he sympathised with many of the Secretary of State for Industry's arguments, which had indeed been advanced in 1965 over the cancellation of the TSR2; but the economic case against proceeding with Concorde was as strong as ever, and the essential question - which lay at the root of so many of our unsuccessful ventures - was whether the economic arguments should be given due weight or relegated to the background. To complete 16 aircraft would cost at least £361 million - nearly £100 million more than the total of the cancellation costs and the maximum damages that might be awarded against us if the French were to take us to court and succeed in their claim. The Law Officers had however advised that even if the French took us to court we would have a reasonable prospect of winning; and on this assumption, it would cost £245 million more to complete the programme than to stop it. To continue would only postpone the day when the loss of jobs and the other industrial consequences must be faced; and there would be renewed pressure from the French as well as from the British interests to build more aircraft and, eventually, to develop a second generation model to recoup the losses of the first. If the aircraft industry were to be nationalised, as had been proposed, it would be a most inauspicious start to saddle it with a project which had been publicly demonstrated to be grossly uneconomic. Public expenditure in the next few years would be under severe constraint, and when the Government came to settle their social priorities there would inevitably be acute competition for such resources as were available; it would be dangerous if in these matters they were to subordinate their judgment to the opinions of the trade unions. The funds devoted to Concorde could have a major impact on the housing programme or other services that commanded a high priority in the Government's social strategy. He therefore urged his colleagues to accept that our aim should be to cancel the project, and that this should be proposed to the French Government. If the French were not to agree, we should still be prepared to cancel unilaterally, in the knowledge that our legal position was reasonably secure.

In discussion there was a wide measure of agreement that the preferable course would be to cancel the project. But it was urged that in the pursuit of cancellation the interests of the aircraft industry, especially the fate of other collaborative projects, our general relations with the French Government, and the interests of those employed on the project must not be overlooked. It was argued that the cost of rupturing the programme unilaterally might well be so high as to make completion of the 16 aircraft the better course; though it was recognised that this might only defer the winding up of the programme, it would allow time for proper arrangements to be made for the welfare of the workers. Further orders, however, might arrive: the VC10 was an example where the airlines' initial lack of interest had been decisively repudiated by the
passenger response - too late, however, for production to take advantage of it. Iranair was showing keen interest in Concorde, and our Ambassador's view was that if we continued with the project they would be ready to order two aircraft. If this order materialised, it would tend to support the French contention against cancellation, that the aircraft could not as yet be proved unmarketable. The possibility must also be considered that even if we were to withdraw from the programme, the French might continue it and put the aircraft into service: it would be better to continue the programme rather than accept such a humiliation.

On the other hand it was pointed out that the extent of Concorde's passenger appeal would be seriously affected if its landing sites were restricted and it was not allowed to overfly countries supersonically. The analogy with the VC10 should not be pressed too far, since the VC10 was essentially an improved version of an aircraft type - the Boeing 707 - already widely in service, rather than the pioneer of a new generation; and if Concorde had to wait for further orders as long as the VC10 had done, an enormous investment in aircraft for stock would have to be committed. Nor should it be forgotten that the huge expenditure incurred on the Concorde programme, which would involve a continuing subsidy of BA, would in effect be devoted to enabling a few privileged passengers to fly faster at the taxpayers' expense: such a wasteful use of scarce resources might well be regarded as uncharacteristic of a socialist Administration. The new French President himself had always been a sceptic about the Concorde programme, and was now likely to find himself under severe budgetary constraint in attempting to satisfy his electoral promises. This might therefore be as favourable an opportunity as any to open discussions with the French Government on the possibility of cancelling Concorde.

On the question of negotiations it was suggested that if the proposal to cancel the project was to have any chance of succeeding, the French Government must be convinced that this was our real objective, and not simply a tactical manoeuvre designed to secure a compromise on the production of 16 aircraft. The negotiating brief for these discussions would need to be drawn up with great care, and it was desirable, since it would inevitably raise questions of wide political importance, that it should be approved by the Cabinet. In this connection, it would be inadvisable to proceed immediately with the publication of BA's appraisal, since this would be likely to be represented by the French as prejudicing the aircraft's prospects.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the conclusions of the Ministerial Committee, that it would be preferable for the project to be cancelled if the
consent of the French Government - however reluctant - could be secured; but that if they did not consent, we should not withdraw unilaterally from the project but should complete the programme to build 16 aircraft. They agreed that the next step would be to explore the views of the French Government. In doing this, it would be necessary to make it clear that in our view there were compelling arguments in favour of cancellation, but not to imply that we were determined at all costs to withdraw. The Cabinet would wish to consider the outcome of these discussions before reaching a final decision. The Secretary of State for Industry should prepare a negotiating brief accordingly, consulting the Lord Chancellor, the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Attorney General, and submit it to the Cabinet for approval. Pending the discussions with the French Government no action should be taken to publish BA's appraisal of the project.

The Cabinet -

1. Approved C(74) 49.

2. Invited the Secretary of State for Industry to prepare a negotiating brief for discussions with the French Government, as indicated by the Prime Minister in his summing up, and to circulate it for their approval.

3. Invited the Secretary of State for Trade to defer for the time being the publication of British Airways' appraisal of Concorde's operating costs.
9. The Cabinet resumed their consideration of the rules which should govern the political activities of Special Advisers. They had before them a memorandum by the Lord President of the Council (C(74) 50).

THE LORD PRESIDENT OF THE COUNCIL said that at their previous meeting the Cabinet had agreed that it would be desirable to remove the inhibitions on Special Advisers taking part in political activities solely because they were paid from public funds, while maintaining sufficient defences against a conflict of interests; and he had been invited to circulate a memorandum examining the matter in greater detail from that point of view. So far as parliamentary candidature was concerned, the effect of the Servants of The Crown (Parliamentary Candidature) Order 1960 was that civil servants, including Special Advisers paid from public funds, were required to resign on being adopted as parliamentary candidates. It would, however, be possible to amend the Order so as to make an exception in favour of Special Advisers. The Order would not be subject to parliamentary control but it would no doubt be desirable to draw the attention of Parliament to what was proposed. It would also be necessary to explain the situation to the Staff Side, who would not necessarily react favourably. As regards membership of a local authority, the present position was that it was within the discretion allowed to Departments to permit Special Advisers to serve on local authorities. The decision should be taken in each case by the Minister concerned, who would have to accept responsibility for ensuring that no question of conflict arose either with the policies for which he was responsible or with those of his colleagues. It would be desirable to lay down certain rules - for example, that a Special Adviser should not speak publicly or in the council on matters for which his Minister had responsibility, nor serve on any committee considering such matters; he should also observe great discretion in relation to policies for which other Ministers were responsible and should not prematurely disclose to the council any information obtained in the course of his official duties. So far as a Peer was concerned, there was no reason why he should not act as a Special Adviser provided that he did not speak or vote in the House of Lords on matters of Party political controversy without the permission of his Minister. It therefore appeared that there was no insuperable obstacle to the relaxation of the rules covering the political activities of special advisers; but he would propose to discuss the matter with the Opposition before any changes were announced.

The Cabinet -

Approved the proposals in C(74) 50 and invited the Lord President of the Council to proceed accordingly.

Cabinet Office
23 May 1974
The Cabinet had before them a minute from the Secretary of State for Social Services to the Prime Minister dated 21 May about a revised offer which might be made to the Staff Side of the Department of Health and Social Security (DHSS) to induce them to undertake the additional work arising from the uprating of pensions, due to take effect on 22 July.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the Cabinet had agreed at their previous discussion that, in addition to overtime payments, a leave bonus should be offered to the staff involved in the work of uprating pensions and other benefits, in recognition of the additional effort required to complete the work by 22 July. The Civil and Public Services Association (CPSA), who represented the majority of the staff involved, had fallen into the hands of militants. Their Executive had rejected the offer and were continuing to ban work on the uprating, even in normal hours. From the following week some pensioners would be without pension books and although the Post Office might be instructed to pay pensions on the stubs of the old books, there was no certainty that their staff would undertake this without some payment. It was impracticable for the Post Office to handle claims for supplementary or sickness benefit, and these would fall to be dealt with by the social service departments of local authorities, many of whom were incapable of handling this work. This serious situation demanded a revised offer. She proposed to offer a leave bonus of one day for every 25 hours of overtime, up to a total of four days' leave, with the proviso that staff who preferred to have a day's pay instead of a day's leave might receive this, again up to the maximum of four days. This proposal had the backing of Mr Murray, the General Secretary of the Trades Union Congress (TUC), who had done his best to curb the militant element in the CPSA; it would also be acceptable to the Society of Civil Servants, whose members were also involved. Although an improvement on the earlier offer, it was considerably less than the initial union
demand for a cash bonus to everyone in the Department, whether directly associated with the pension payments or not. A major confrontation with the staff would undoubtedly mean a lengthy postponement of uprating of pension payments, disruption of the supplementary benefits service and risked forfeiting the goodwill of the TUC and the general public. If she took disciplinary action against those refusing to handle pension uprating in normal hours there might be a general spread of industrial action in the Civil Service. In these circumstances, the compromise she proposed was, in her view, inescapable.

THE MINISTER OF STATE, CIVIL SERVICE DEPARTMENT, said that it was a cardinal principle of handling Civil Service pay that settlements should be achieved nationally in negotiations between the staff associations and the Official Side, based on fair comparisons and backed by the findings of the Pay Research Unit. If it became normal practice for Departmental staff, who were dissatisfied with national agreements, to press claims for special treatment with their Departmental Minister this would undermine the basis of national settlements and cause many similar cases to that of DHSS to be brought to other Ministers and ultimately before the Cabinet. The overtime payments now in force for the Civil Service bore comparison with those in industry; time and a half was paid for the first 18 hours, and double time thereafter and for any overtime on Saturdays and Sundays. By agreeing to a bonus in addition, whether in the form of leave or pay, the Government would be paying twice over. The principle of a special allowance had however already been conceded by the Cabinet and he was ready to agree to the revised offer of the leave bonus, but he strongly opposed the suggestion that payment might be taken in lieu of this leave.

In discussion, it was pointed out that a prolonged confrontation, leading to an increasing number of pensioners being without pension books, and the postponement of the payment of the higher rate of pension, could have the most severe consequences for the Government, particularly if it remained unresolved at a time otherwise favourable for holding a General Election. By agreeing in principle to a leave bonus the Government had already conceded that they were prepared to pay twice, and the uprating of pensions against a tight timetable could be regarded as a unique case. If a straight option of leave or cash was repugnant, there was merit in adopting a compromise which would allow a cash payment if the bonus leave had not been taken within six months. Payment in lieu of leave which would otherwise have been forgone was a practice already followed elsewhere, for example in the police.
On the other hand, it was strongly argued that to offer any concession involving cash payments would have repercussions on other civil servants who were required to work prolonged overtime in a variety of circumstances. Those in Northern Ireland, for example, had to work long hours in very arduous conditions; Ministry of Defence civil servants in this country also had to work prolonged overtime associated with the Northern Ireland emergency; the staff of the Inland Revenue and of Customs and Excise would claim similar treatment if revisions of taxation required overtime work. Prison and immigration staff might seek to press their claims. To concede a cash payment would therefore open up the prospect of wide repercussions, as well as demonstrating that a militant minority could wring concessions from the Government. The Government was already accused of giving way too readily to militant unions, and this was a good opportunity to show support for the moderates. If it could be made clear to the public that the payment of pensions was being held up by the industrial action of civil servants, public sympathy for the pensioners might force the CPSA to settle.

THE PRIME MINISTER, summing up the discussion, said that, although they fully appreciated the danger that the continuation of industrial action could disrupt the payment of pensions, and might even spread, the majority of the Cabinet felt that to offer cash in lieu of the leave bonus would have grave repercussions elsewhere in the public service. The Secretary of State for Social Services should therefore ensure, when her officials met the DHSS Staff Side later that day, that the offer should be confined to a leave bonus of one day for every 25 hours of overtime worked in connection with the pensions uprating, with a maximum of four days' leave. No prospect of any cash concession should be held out; it was important to strengthen the moderate element amongst the staff against their militant colleagues.

The Cabinet -

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

Cabinet Office

28 May 1974
The Cabinet considered a memorandum by the Lord President of the Council (C(74) 52) about the recommendations regarding threshold arrangements in the third interim report of the Top Salaries Review Body (TSRB), and the timing of an announcement of the Government's decisions on the report.

THE MINISTER OF STATE, CIVIL SERVICE DEPARTMENT, said that threshold arrangements had been recommended by the TSRB and also by the Doctors' and Dentists' Review Body (DDRB), whose report had now been received. At Cabinet on 16 May it had been suggested that, in order to avoid anomalies in the Civil Service, threshold arrangements might be allowed for those with salaries of up to £10,000 a year but not for those above that level. It was however difficult to construct any satisfactory half-way house, particularly in the case of the doctors. The TSRB recommendation on threshold arrangements had been described during the previous Cabinet discussion as derisory, but this could be regarded as an argument in favour of acceptance rather than rejection. If the Government were to reject the recommendation of a Review Body on a minor matter, this would call in question the status of the Review Bodies, and might even possibly lead to resignations from them.

THE LORD PRESIDENT said that the arguments against giving threshold arrangements to the higher-paid were strong, but the Cabinet would also wish to consider the arguments rehearsed in C(74) 52. On the question of timing, it would seem better to make an announcement now rather than to leave it until after the statutory pay controls had been dismantled. Whatever conclusion was reached on threshold arrangements, he recommended that the Government should publish the TSRB report and announce their decision on it immediately.
In discussion it was argued that it was undesirable that higher-paid groups should receive pay awards under an automatic system when other groups had to fight to achieve theirs. Even if it might now be necessary to publish the present TSRB report, the accompanying Government statement should be designed to avoid repercussions elsewhere, and it should indicate that the whole system by which the pay of higher-paid groups was determined would be considered by the Royal Commission on Incomes Distribution when it was set up. Meanwhile, the rejection of threshold arrangements for those earning over £10,000 a year would at least be a gesture to show that the achievement of greater social equality remained a fundamental Government objective. However, it was also necessary to adopt a coherent approach towards the achievement of that objective. There did not appear to be any satisfactory way of limiting threshold arrangements by reference to a particular cut-off level. This would, for example, penalise whole-time hospital consultants as compared with part-time consultants, which would run counter to the general policy for the hospital service. After tax, the threshold arrangements would give only a small net benefit to higher-paid groups, and the anomalies created by their rejection would impose a permanent penalty on those retiring on pension. Moreover, the DDRB had taken the threshold arrangements into account in framing their recommendations about the basic pay increases for doctors and dentists. If the threshold recommendation were rejected, the doctors and dentists would fall behind, and it would appear inconsistent to do this and then expect threshold arrangements to be taken into account in determining the appropriate pay increase for nurses. It would also be difficult to announce that nurses' pay was to be the subject of independent review at the same time as interfering with a recommendation of an independent Review Body. It might therefore be better to accept the recommendations for threshold arrangements, but to make this one of the reasons for referring the whole matter to the Royal Commission on Income Distribution.

On the other hand, it was argued that we were at present in a difficult period of transition from statutory to voluntary pay arrangements. The discussion of the nature of the voluntary arrangements would be extremely delicate, and it was vital to avoid anything which would make this process more difficult. During this period, some anomalies might need to be temporarily accepted, as frequently happened in other fields of employment. Threshold arrangements were designed to help the low-paid, and it was undesirable to allow them to spread to higher-paid groups. The Royal Commission on Income Distribution must be seen to be an effective part of the new policy on incomes, and it should be asked to look at the whole question of high salaries. This examination should however not be limited to the public service but should extend also to salaries paid in the private sector.
THE PRIME MINISTER, summing up the discussion, said that the Government's decision must reflect their general objective of greater social equality. The Royal Commission on Income Distribution must be seen to be an effective instrument in the pursuit of this objective; and it would be an essential element in the new voluntary pay arrangements which the Secretary of State for Employment was at present seeking to promote. In the meantime, the Government must avoid any step which would hinder his achievement of this difficult task. The recommendations concerning threshold agreements, both in the third interim report of the TSRB and in the report now submitted by the DDRB, should therefore be rejected. The other recommendations in the TSRB third interim report should be accepted; the report should now be published, and the Government's decision on it announced, as soon as possible. In announcing the decision, account should be taken of the presentational points mentioned during the Cabinet's discussion. Further study should be given to the problem of the effect on pensions of pay anomalies arising from the rejection of the recommendation of threshold arrangements.

The Cabinet -

1. Took note, with approval, of the summing up of their discussion by the Prime Minister.

2. Invited the Lord President and the Minister of State, Civil Service Department -

i. to publish the third interim report of the Top Salaries Review Body, and to announce that the Government would implement its recommendations except for the recommendation concerning threshold arrangements;

ii. to examine the problem of the effect on pensions of pay anomalies arising from the rejection of the recommendation concerning threshold arrangements.

Cabinet Office

28 May 1974
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street on FRIDAY 24 MAY 1974 at 6.00 pm

PRESENT

The Rt Hon Harold Wilson MP Prime Minister
The Rt Hon James Callaghan MP Secretary of State for Foreign and Commonwealth Affairs
The Rt Hon Denis Healey MP Chancellor of the Exchequer
The Rt Hon Roy Mason MP Secretary of State for Defence
The Rt Hon Fred Peart MP Minister of Agriculture, Fisheries and Food
The Rt Hon Lord Elwyn-Jones Lord Chancellor
The Rt Hon Shirley Williams MP Secretary of State for Prices and Consumer Protection
The Rt Hon Merlyn Rees MP Secretary of State for Northern Ireland
The Rt Hon Harold Lever MP Chancellor of the Duchy of Lancaster

ALSO PRESENT

The Rt Hon Samuel Silkin QC MP Attorney General

SECRETARIAT

Sir John Hunt Mr H F T Smith

SUBJECT

NORTHERN IRELAND

SECRET
The Cabinet considered the situation in Northern Ireland. Their discussion and the conclusions reached are recorded separately.

Cabinet Office
28 May 1974
CABINET

CONFIDENTIAL ANNEX

CC(74) 18th Conclusions

Friday 24 May 1974 at 6.00 pm

The Cabinet had before them a note (C(74) 56) on the current situation in Northern Ireland which suggested a possible course of action.

THE PRIME MINISTER said that he and a small number of his colleagues had held talks earlier in the day with Mr Brian Faulkner, the Chief of the Northern Ireland Executive, Mr Gerry Fitt, Deputy Chief Executive, and Mr Oliver Napier, the legal member. It was clear that the political situation was dangerous. The Ulster Workers Council (UWC) supported by a number of Protestant political and para-military groups, were dictating the course of events. They had succeeded in closing most of the factories; shops were allowed to open only with their permission; they were controlling the distribution of fuel supplies and food, and were discriminating against the Catholic population; the output of the power stations had been much reduced; the absence of transport meant that many Government servants were unable to get to work and this was creating particular problems over social security payments. There were reports that the UWC intended within the next few days to take over two major bakeries in Belfast. The authority of the Government and of the Northern Ireland Executive had been seriously undermined. The UWC and their associates claimed, falsely, that their purpose was limited to securing the abandonment of the Sunningdale Agreements and the holding of fresh elections to the Assembly. In fact they were intent on destroying the Constitution and its provisions for power-sharing, and on establishing a government of Protestant extremists. It was essential that the Government should assert its authority, and it was clear that unless firm action were taken quickly the Northern Ireland Executive would not survive the weekend. The Executive had urged that the Army should take over the distribution of oil and petrol to 21 service stations, where the Northern Ireland Ministry of Commerce would be responsible for its allocation to priority users.
He had undertaken to discuss this request with the Cabinet. Service technicians were available to work in the electricity power stations if Northern Ireland labour withdrew, but it was doubtful whether the Army personnel would be able to run the stations without the supervision of the middle management grades, who might be unwilling to continue to work. He was not therefore proposing that action on oil and petrol should be accompanied by action at the power stations. Gas production in Belfast was continuing, but had stopped in Londonderry because of the lack of certain chemicals. The Executive attached importance to improving our public relations activities and had suggested that he should make a broadcast. There seemed little doubt that many Protestants were beginning to support the UWC because they believed that it was winning. Any step we took to counter the UWC carried with it the risk that the situation would escalate. The Executive believed however that if we showed determination from the beginning, much Protestant support would be recovered.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that if the Executive were to collapse it was important that the Government should not be open to the charge that they were responsible for this because they had refused the request that had been put to them by the Executive. It was also important, however, that if we agreed to the request, the Executive should bear their proper share of responsibility in carrying out the arrangements for the distribution of petrol. He was not in favour of putting the Army specialists into the electricity power stations at this stage but he hoped the Army could arrange to deliver the necessary chemicals to the Londonderry Gas Works. At present the security situation was fairly quiet. The Provisional Wing of the Irish Republican Army (IRA) had been adopting a low profile. There was good reason to believe that they and the Official Wing were in touch with each other about joint measures to protect Catholic areas if violence should erupt. The reliability of the Royal Ulster Constabulary (RUC) was in some doubt; west of the Bann it was very uncertain; east of the Bann the RUC were somewhat more reliable. There was also a good deal of variation from place to place in the reliability of the Ulster Defence Regiment.

THE SECRETARY OF STATE FOR DEFENCE said that in the past few days upwards of 1500 reinforcements had been sent to Northern Ireland. If it were decided to take over the distribution of oil and petrol the necessary drivers and technicians could be sent to Northern Ireland quickly; but the operation would make heavy demands on the Army who would have to protect the supplies in transit and the service stations from which they were to be distributed. In considering this proposal he thought it important to bear in mind that we would not be able to distribute more petrol than the UWC were at present distributing; and since the UWC would be
able to increase pressure in other directions we might find that the demonstration of our will and capacity to govern was less than convincing. It would not be possible for the armed forces to take over the running of the country if the UWC secured the withdrawal of labour generally. He wished to confirm that the Army did not expect to be able to run the electricity power stations if middle management withdrew; and although he had a substantial group standing by to help in the gas stations, they too would need supervision. We could not expect to obtain management personnel from Great Britain to take the place of the Northern Ireland personnel. Finally, it was important that his colleagues should know that the Chief of the General Staff was concerned about the extent to which it was right to use troops for tasks of the kind they were discussing, in a situation where life and limb were not directly threatened.

In discussion it was suggested that intervention over petrol supplies might not be enough to demonstrate that it was we and the Executive who were governing Northern Ireland. There was a danger, therefore, that the Executive would make further successive demands and that if, as seemed likely, we were unable to continue to meet their demands, the Executive would collapse. There might therefore be an argument for allowing matters to take their course and facing the possible collapse of the Executive in the expectation that the Protestant community would ultimately weary of the hardships they were suffering and would reject the UWC. In the meantime we would stand firm on the constitutional issues and there would be no question of our withdrawing from Northern Ireland. It was also suggested, however, that such a policy would probably lead to communal strife and this might spread to Great Britain in view of the large numbers of Irish, from both communities, living here. This argued in favour of responding to the Executive’s request while recognising that if this action did not succeed we would be faced with further demands to which, for practical or other reasons, we might be unable to agree. The importance of keeping in touch with the Conservative Opposition was also noted: it was most important to avoid a collapse of the bipartisan approach to Northern Ireland.

In further discussion it was suggested that consideration should be given to introducing financial and economic sanctions, including the future of Harland and Wolff. In view of the reports that there was discrimination against the Catholic community in the provision of food supplies, consideration should be given to using the Army to deliver food to the Catholics if the need arose.
THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the Army should undertake the distribution of oil and petrol to selected service stations, and protect the stations. The Army should also deliver the necessary chemicals to the gas works in Londonderry. Further consideration should be given to the use of the Army in distributing food to the Catholic community, and an immediate study of the feasibility of such action should be undertaken. These actions were not to be taken as implying any commitment to intervene further in running the means of production and distribution, and were to be regarded as consistent with the policy of maintaining the Executive in office so long as that might be possible, while allowing the population to experience the hard consequences of supporting the UWC. The Cabinet would be called together again if necessary, but he asked them to agree that, within the policy they had discussed, urgent decisions could be taken by the Ministers concerned in consultation with him. It was now clearly necessary to consider the various constitutional and security contingencies that might arise and he would be pursuing this question with his colleagues. A study of financial and economic sanctions should be completed as soon as possible. He would give a Ministerial broadcast, probably the following evening. It was important that the UWC should not have advance warning of the action the Army would be taking.

The Cabinet -

1. Took note, with approval, of the Prime Minister’s summing up of their discussion.

2. Agreed that within the limits of the policy they had discussed urgent decisions should be taken by the Ministers concerned in consultation with the Prime Minister.

3. Invited the Secretary of State for Defence to issue the necessary instructions to the GOC Northern Ireland, to carry out the action which had been approved.

4. Invited the Chancellor of the Exchequer, in consultation with the Secretary of State for Northern Ireland and such other Ministers as might be necessary, to arrange for a paper to be prepared on financial and economic sanctions.

Cabinet Office

28 May 1974
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street on
THURSDAY 13 JUNE 1974
at 10.30 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal
THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

Mr Joel Barnett MP
Chief Secretary, Treasury (Items 1-3 and 5)

The Rt Hon Lord Beswick
Minister of State, Department of Industry (Item 5)

SECRETARIAT

Sir John Hunt
Mr P D Nairne (Item 2)
Mr H F T Smith (Items 1-4)
Mr P Benner (Item 1)
Mr J A Hamilton (Item 5)
Mr H F Ellis-Rees (Item 5)
Mr D Evans (Item 2)

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<td>PARLIAMENTARY AFFAIRS</td>
<td>1. The Cabinet were informed of the business to be taken in the House of Commons during the following week.</td>
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<td>Parliamentary Statements</td>
<td>The Cabinet were informed that the Speaker had repeatedly expressed uneasiness about the number and length of the Ministerial statements which were at present being made at the end of question time. Ministers should therefore make statements only when it was clearly necessary to do so; and when a statement was unavoidable it should be kept as short as possible.</td>
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<td>FOREIGN AFFAIRS</td>
<td>2. THE FOREIGN AND COMMONWEALTH SECRETARY said that in a Written Reply to a Parliamentary Question that afternoon he would, while expressing regret at the decision of the French Government to hold a programme of nuclear tests in the atmosphere in the Pacific, express satisfaction that these were to be the last of the French atmospheric tests. At the same time he would announce that we would monitor the radio active fall out in the interests of the health of people living in the region. He had already expressed our concern the previous day to the French Ambassador, whose reaction suggested that there would be resentment on the part of the French Government. These representations had been necessary, but he would refrain from any further public comment and hoped that his colleagues would agree to do the same.</td>
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<td>European Community Political Co-operation Machinery</td>
<td>THE FOREIGN AND COMMONWEALTH SECRETARY said that he had used the Political Co-operation Machinery for raising the question of sanctions in Rhodesia, and for discussing Portugal and the future of Portuguese territories in Africa. There had also been exchanges on the meetings between the Europeans and the Arabs, collectively, and on the desirability of a meeting between the Europeans and the Israelis.</td>
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<td>Conference on Security and Co-operation in Europe</td>
<td>THE FOREIGN AND COMMONWEALTH SECRETARY said that discussions in the Conference on Security and Co-operation in Europe were moving slowly. We and our partners had made some concession to the Russians on the subject of the inviolability of frontiers, but had received no corresponding concession on the freedom of movement. The Russians attached great importance to completing the Conference with a meeting</td>
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at the highest level. We should use this desire to persuade
the Russians that they must offer more in the field of human
freedom, including freedom to travel; and should do our best
to ensure that President Nixon of the United States did not give
away this card when he visited Moscow.

THE FOREIGN AND COMMONWEALTH SECRETARY said that
the talks in Vienna on the mutual and balanced reduction of
forces were also proceeding slowly. The Russians wanted a
general reduction on both sides from the beginning. We
wanted the first stage to consist only of reductions in the
American and Russian forces. We must expect discussion to
be lengthy: we must be patient and persistent.

THE FOREIGN AND COMMONWEALTH SECRETARY said that
he would be visiting Canada the following week for a meeting of
the North Atlantic Treaty Organisation which would mark its
25th Anniversary. A draft declaration had been prepared
reaffirming the purposes of the Alliance as both detente and
defence. Progress in the exchanges between the Americans
and Russians on Strategic Arms Limitation was slow, and
President Nixon of the United States was unlikely to be able to
conclude any agreement of importance when he visited Moscow.

The Cabinet -

Took note of the statements by the Foreign
and Commonwealth Secretary.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said
that she understood that we had been engaged in a renegotiation
of payment of Chile's external debts. It had been suggested
that the purpose of this renegotiation was to enable the Chilean
Government to pay for the frigates purchased from us. If
true this would be a matter of great concern and she asked that
the Cabinet should be informed of the position before final
decisions were reached.

THE PRIME MINISTER said that the Chief Secretary, Treasury,
would arrange for a paper to be circulated to the Cabinet.
3. THE SECRETARY OF STATE FOR THE ENVIRONMENT said that there was an urgent need for a decision on a review of the rating system, which might be carried out either by an all-Party Select Committee or by a small independent expert Committee. He had hoped to discuss this matter at the present Cabinet but recognised that it was impracticable to do so in the absence of the Chancellor of the Exchequer. In order to expedite matters he suggested that a small ad hoc group of Ministers might consider the issue as a matter of urgency.

THE PRIME MINISTER, summing up a brief discussion, said that he would arrange for such a group to meet under his own chairmanship. The other members would be the Chancellor of the Exchequer, the Secretary of State for the Environment, the Secretary of State for Industry, the Secretary of State for Education and Science, the Secretary of State for Scotland and the Secretary of State for Wales.

The Cabinet -

Took note.

4. The Cabinet considered the situation in Northern Ireland. Their discussion and the conclusions reached are recorded separately.
5. THE PRIME MINISTER said that the Ministerial Committee on Energy at their meeting the previous day had considered proposals by the Secretary of State for Energy about the choice of a reactor system for nuclear power stations. After a very thorough discussion the Committee had unanimously approved the Secretary of State's proposals; but in view of the importance of the question had invited the Secretary of State to report the outcome of their discussion to the Cabinet.

THE SECRETARY OF STATE FOR ENERGY said that no orders for nuclear power stations had been placed since 1970. The previous Government had put off a decision, and Labour's Programme for Britain had promised to devote more resources to the building of nuclear power stations. He had chaired two meetings of the Nuclear Power Advisory Board established by the previous Government, but had received no clear advice from them; he had also met representatives of the trade unions and staff associations of the main industrial interests, and had considered the views expressed in the report of the Select Committee on Science and Technology and in debate in the House of Commons on 2 May. No option commanded general agreement, and any choice would entail some commercial risk; but in his view the primary considerations were safety, reliability in operation, and the need to support British technology, and on these grounds he considered that the Steam Generating Heavy Water Reactor (SGHWR) should be adopted for the next nuclear orders. In this judgment he was fortified by the fact that the Central Policy Review Staff had independently reached the same conclusion; and although the weight of argument had seemed compelling even before the recent disaster to the chemical plant at Flixborough, that event further reinforced the need to ensure that the Government's choice of nuclear reactor would command public confidence.

A prototype of the SGHWR had worked successfully for six years at Winfrith, and there had been good experience with an analogous Canadian system (CANDU). The Chief Inspector of Nuclear Installations had advised that there should be no fundamental difficulty in clearing an SGHWR design, initially for remote sites, without delaying the start of construction. The other thermal systems all had substantial disadvantages: Magnox, which now provided 10 per cent of our supply of electricity, was an outdated design and would be prohibitively expensive to reorder; the Advanced Gas-Cooled Reactors had encountered many difficulties and were unlikely to provide satisfactory operating experience for at least another two years; the High-Temperature Reactor would not be adequately proven before the early 1980s; CANDU would require much more heavy water than the SGHWR, and used natural rather than low-enriched uranium. The claims of the Light Water Reactor (LWR) were passionately advocated and opposed. Doubts about its safety had yet to be convincingly allayed, however, and the Nuclear Installations Inspectorate might not be able to clear it for nearly
two years, or be able to do so without design modifications. Adoption of the SGHWR would need to be accompanied by a deal with the Canadians on heavy water and heavy water technology, on engineering, manufacturing and construction experience and on opportunities for United Kingdom manufacturers to supply nuclear and conventional plant for CANDUs sold in Canada and overseas; and preliminary discussions to this end had already taken place.

The Committee had recognised that investment in the SGHWR would need to be pursued with caution. By about 1978 there would be wider experience of nuclear power systems, and the relative cost of investment in them and in fossil-fuel systems might have substantially changed. He therefore proposed to place orders between now and 1978 for about 4,000MW of nuclear plant: the balance of the requirement, between 8,000 and 12,000MW, would be provided by fossil-fuelled plant, rather more than would be needed if the LWR were adopted. But although the choice of the SGHWR would meet the views expressed by the Select Committee on Science and Technology and would be particularly welcomed by the South of Scotland Electricity Board, there would be strong resistance from the Central Electricity Generating Board (CEGB), the National Nuclear Corporation and the General Electric Company - the Corporation's main shareholder - who all supported the LWR. The Chairman of the CEGB might demand a formal instruction to order the SGHWR, and might even resign. The Committee had agreed therefore that he should discuss the implications of the decision in favour of the SGHWR with the nuclear interests before any public announcement was made. In the light of these further discussions he would circulate a draft White Paper to the Cabinet, with a view to publishing it early in July and accompanying it with a statement to Parliament.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet endorsed the view of the Ministerial Committee on Energy that the SGHWR should be chosen for the next nuclear power station orders. The question of safety weighed heavily in reaching this decision, and account must be taken of the doubts about the safety of the LWR which had been expressed by Sir Alan Cottrell, who was a leading metallurgist, as well as by Lord Hinton, the former Chairman of the CEGB, and the Select Committee on Science and Technology. The Secretary of State for Industry, who was unable to be present at their discussion, had expressed his full support for the choice of the SGHWR, and the Cabinet had been reminded that the construction of the SGHWR was likely to produce valuable orders for British firms, particularly in boilermaking. The first site for an SGHWR station would probably be in Scotland; it had been designated for some time, and local opinion was apparently strongly in favour of construction proceeding. Nonetheless, in summing up the discussion of the Ministerial Committee on Energy, he had
stressed the need for all proposals for the siting of nuclear power stations to be most carefully scrutinised by the Government before there was any question of an application for planning permission or other public move to develop a particular site. He had asked the Ministers concerned to ensure that each proposal came before the Committee in good time for thorough examination and subsequent approval by the Cabinet.

The Cabinet -

Took note, with approval, of the summing up of their discussion by the Prime Minister.
THE SECRETARY OF STATE FOR NORTHERN IRELAND said that before outlining some proposals about future policy he sought agreement to the legislation needed for the government of the Province in the meantime. At present this was being carried on under provisions of the Constitution Act which allowed us to create a "caretaker" government for a limited period. Under these arrangements his role was not dissimilar to that of a Governor, while his Ministerial colleagues in the Northern Ireland Office constituted the Executive which, under the law as it now stood, was accountable to the Northern Ireland Assembly. The Assembly was, however, prorogued. It was therefore necessary to transfer to Parliament the Assembly's legislative authority and to make him accountable to Parliament. He proposed that there should be a short Bill, which would also provide for an Order in Council procedure to relieve the legislative burden which would otherwise be placed upon Parliament. The Bill would need to be passed before the Recess.

Turning to the political situation, the Secretary of State said that the Northern Ireland Executive had rested on uncertain foundations because Mr Brian Faulkner's supporters in the Assembly had been losing the support of the Protestant community. The recent general withdrawal of labour which had been the immediate cause of the collapse of the Executive was in effect an industrial strike undertaken for political purposes. Recent events had however had a marked effect on the political scene. Loyalist opinion, which had traditionally rallied under the Unionist Party and had then split up under a number of established political leaders, had now become even more fragmented. Many of the working class no longer looked to the politicians for leadership. On the Catholic side the morale of the Social Democratic and Labour Party (SDLP) had been badly shaken by the collapse of the Executive and by the fear that the Party would lose support to the extremists. The Provisional Irish Republican Army (IRA) had been impressed by the demonstration of the power of the Protestant working class to achieve results by striking
without recourse to violence; and the IRA were at present keeping a low profile. There was one strand of opinion which was widespread and gaining strength: the feeling that the people of Northern Ireland should be given a chance to find their own solution. On the Protestant side there was a demand for new elections. He proposed that elections should be held in the autumn for a Consultative Convention which would have the task of recommending future constitutional arrangements. The elections should be under the single transferable vote system of proportional representation which had been used for the elections to the Assembly and which he had reason to think would be generally acceptable. This would need legislation which might, if time allowed, be included in the Bill he had already mentioned. There should also be a White Paper. Although we would not seek to prejudge the outcome of discussions in the Constitutional Convention it would be necessary in the Bill and in the White Paper to establish a number of principles: any new constitutional arrangements would have to be acceptable to both communities in Northern Ireland, and this in turn would require some form of power-sharing; there would have to be some recognition of the need for co-operation between North and South; and some revision of the present financial arrangements would have to be accepted since in the longer term it was unreasonable that Northern Ireland, which was at present funded out of the Consolidated Fund, should be free from the restraints under which the Departments of Government in the rest of the United Kingdom were obliged to operate. After the Convention had reported, we would have to judge what should go into the legislation which would need to be passed by Parliament in order to establish new constitutional arrangements. We would therefore have a role to play in setting up arrangements for the Convention and in implementing such of its recommendations as we accepted, but we would not interfere in the Convention's proceedings.

He would probably need another two or three weeks to continue his discussions in Northern Ireland before he would be able to judge whether these proposals were likely to be acceptable there. The main difficulty was likely to lie with the SDLP. His discussions would be designed to probe opinion, and he would not reveal the nature of his proposals. It was important that it should not become known that we were considering holding elections to a Constitutional Convention, for this might lead some sections of opinion, and in particular the SDLP, to take up rigid positions.

In discussion it was suggested that the publication of a White Paper might create difficulties in Northern Ireland on the ground that it was pre-empting the purpose of the Convention and unreasonably limiting its freedom to come forward with recommendations. Alternatively, a White Paper might prejudice the decisions that...
we might wish to take when we had received the report of the Convention. Furthermore if in the White Paper and in the proposed Bill we introduced too many safeguards the Protestants might refuse to co-operate; while if we introduced too few safeguards the Catholics might withhold co-operation. It would be a difficult and delicate task to draft principles to be included in the White Paper and the Bill. It was also suggested that although we should be prepared to exercise our financial power when it was useful to do so, we should also bear in mind that Northern Ireland was a part of the United Kingdom faced with exceptional problems and that we would be open to criticism if we appeared to be taking a narrow view of the provision of funds to the Province. It was also noted that although Northern Ireland was passing through a particularly difficult period politically, there were signs of a growing realism there which might open up possibilities of progress which had not previously existed.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed on the need for early legislation transferring to Parliament the legislative authority previously enjoyed by the Northern Ireland Assembly and making the Secretary of State for Northern Ireland accountable to Parliament. It was also agreed that we must seek new means of finding a political solution and that the proposal for elections to a Constitutional Convention appeared to offer the best way forward. Substantial arguments had been advanced against the proposal to publish a White Paper. But the legislation itself would have to be short, and a somewhat fuller description of the principles the Convention would have to observe would be needed. It might be sufficient if, instead of a White Paper, the Secretary of State for Northern Ireland were to make a statement to Parliament. The Secretary of State should report to the Cabinet the outcome of the discussions which he would be holding in Northern Ireland in the coming weeks, and should propose a text of a White Paper or a statement so that the Cabinet might decide whether the points made in discussion had been met. Whether or not the Convention led to a new constitutional arrangement for Northern Ireland, careful consideration would have to be given to the arrangements under which central funds were provided. The new arrangement might be in the nature of a reconstituted power-sharing Executive in some form. Alternatively, it was conceivable that the Convention might suggest an independent Northern Ireland, with guarantees for the minority; in this case it would be important to be able to apply sanctions if these guarantees were not being observed, and financial sanctions could be particularly effective. Full integration of Northern Ireland with Great Britain was not a viable option; and a return to one-Party Protestant rule on the model of the former Stormont was also unacceptable. He wished to urge upon his colleagues the importance of ensuring that the proposals they had been discussing should remain confidential.
The Cabinet -

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

Cabinet Office

14 June 1974
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 20 JUNE 1974
at 12.15 pm

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon John Morris QC MP
Secretary of State for Wales

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Lord Shepherd
Lord Privy Seal
SECRETARIAT

Sir John Hunt  (Item 1)
Mr P Benner     (Item 1)
Mr J A Hamilton (Item 2)
Mr R L Baxter  (Item 2)

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<td>INCOMES POLICY</td>
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1. The Cabinet were informed of the business to be taken in the House of Commons during the following week.

2. The Cabinet considered memoranda by the Secretary of State for Employment on voluntary collective bargaining in the year ahead (C(74) 59) and on the future approach to public sector pay negotiations (C(74) 58).

THE SECRETARY OF STATE FOR EMPLOYMENT said that in his paper on voluntary collective bargaining (C(74) 59) he reported the outcome of his discussions with the Trades Union Congress (TUC) and the Confederation of British Industry (CBI) about collective bargaining after the abolition of statutory pay controls, and put forward his proposals for moving to voluntary arrangements. On present plans the Order to abolish the pay controls would be laid early in July and he would make a Statement to the House of Commons saying what he expected to follow the statutory controls. He would hope to announce at the same time the Chairman, terms of reference and date for establishing the Royal Commission on Income Distribution and Wealth and to give a date for the establishment of the Conciliation and Arbitration Service. The TUC Economic Committee had approved a draft statement on the factors which should influence unions in pay negotiations after the return to voluntary collective bargaining. They intended to issue the statement on 26 June, assuming General Council agreement on that day, and it would be reported to Congress in September. The draft statement was a highly intelligent document and was as helpful as the Government could wish in a number of respects, including the emphasis on the limited scope for increases in consumption and the need to concentrate on maintaining rather than increasing real incomes; the need to stick to the 12-month rule and avoid the renegotiation of existing settlements; and the need to take account of threshold payments already received. The draft guidance listed a number of objectives which could increase earnings above the basic aim of maintaining real incomes. Among these, the achievement of equal pay by the end of 1975 was a legal requirement. The objective of increasing low pay could not be disputed by the Government as an ultimate objective; the TUC might find this necessary in order to persuade union members generally to accept the rest of their guidance, though they were already thinking in terms of a minimum of £28 rather than £25. He thought that there was a good chance that the draft would be approved by the General Council on 26 June. The TUC insisted that their statement should be unilateral. They believed, he thought rightly, that their guidance was more likely to be heeded within the union movement if it came from the movement itself and was not seen as the outcome of collusion with employers or the Government. He had considered
issuing the Government statement as a White Paper but he saw
overriding advantage in letting the TUC document stand alone as
the single written statement of guidance to union negotiators.
When he met the CBI he impressed upon them the
desirability of ensuring that whatever they said did not
undermine the TUC guidance. The first draft of
a Government statement was appended to his paper; he suggested
that it should not be discussed at this stage in Cabinet but that
Ministers should let him have their comments in writing. It was
impossible to guarantee that the TUC guidelines would be observed.
Some breaches had already been found unavoidable, for instance
for the drivers of oil tankers; some unions had already come out
in opposition to the policy and others would come under pressure
to do so. However the General Secretary of the TUC and some
other union leaders were speaking in favour of the policy at union
conferences and were being well received. He believed that the
policy would in general be accepted and that fears of a wage
explosion after the abolition of statutory controls would prove
unjustified.

His other paper, on public sector pay negotiations (C(74) 58),
considered the implications of the voluntary pay arrangements for
the Government's relationship with other public sector employers
over pay negotiations. The recommendations were that the
Government should try to get Stage 3 settlements wherever possible
in current negotiations before the end of the statutory controls;
that the Government should seek to avoid breaches of the 12 months' rule
in the autumn by the coal or electricity industries; that the
Government should base their own approach in pay negotiations as
employer on the TUC guidance; and that the Government should
carry on a close exchange of views, well in advance of each major
pay negotiation, with the nationalised industries and local authority
employers. For this last purpose Ministers should see the
nationalised industry chairmen and local authority employers.

Some confusion had arisen about the provision in the Pay Code for
threshold agreements. The Pay Board were adopting a rigid
interpretation by which agreements must be concluded by 21 June,
and this was causing strikes and threats of industrial action. If
the Pay Board could not be induced to adopt a more flexible
interpretation it might be necessary to change the Code, though it
would seem unsatisfactory to do this so shortly before its abolition.

In discussion it was agreed that the draft statement by the TUC
was satisfactory and showed that there had been a considerable
change of mood over the last few months. It was argued, however,
that since only about half the work force belonged to the trade
unions, it would be helpful if the CBI could be induced to issue
positive guidance to employers in the same sense. This would apply particularly to middle management salaries, in which a spate of increases could otherwise be expected as soon as the pay controls were removed. The Government ought also to be making contingency plans for the possibility that the guidelines might be disregarded. One possibility in that event might be to strengthen the proposed Royal Commission, perhaps by giving it staff from the Pay Board, so that it could take over the role of monitoring pay increases. On the other hand the TUC might oppose this as they would regard it as a step back towards the imposition of wage norms; an alternative might be to strengthen the monitoring functions of the Department of Employment.

As regards public sector pay it was argued that the emphasis in the draft TUC and Government statements on the need to improve efficiency and unit costs would not help the Government to satisfy groups such as the hospital consultants whose productivity could not be measured in those terms. There might be a need here for some flexibility. On the other hand great care must be taken to avoid opening the way to any breach of the guidance by the miners; and for this purpose it would be essential for the Government to stick firmly to the 12-month rule.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the negotiations with the TUC and the CBI had been well handled. The helpful speeches by trades union leaders were particularly welcome. The Cabinet endorsed the recommendations in the two papers circulated by the Secretary of State for Employment. The Secretary of State should continue, in the light of the discussion, to pursue his talks with the TUC and the CBI with a view to the TUC guidance being issued on 26 June. He should clear with the Prime Minister and the Chancellor of the Exchequer the text of an interim statement to be issued by the Government at that stage commenting on the TUC guidance. As regards the substantive Government statement, of which a draft was appended to C(74) 59, Ministers should send their comments to the Secretary of State for Employment and the Secretary of State for Prices and Consumer Protection should discuss with the Chancellor of the Exchequer and the Secretary of State for Employment whether a passage should be included on the proposed review of the Price Code. The Secretary of State for Employment should circulate a revised draft for clearance by Cabinet on Thursday 4 July, so that the statement could be issued about 8 July, though the timing might have to be reconsidered in the light of the conference of the National Union of Mineworkers. The Chancellor and the Secretary of State for Employment should meet the nationalised industry chairmen and the Secretaries of State for the Environment and Scotland should meet the local authority employers, as proposed in the note attached to C(74) 58.
The Cabinet -

1. Approved the recommendations in C(74) 58 and C(74) 59.

2. Invited the Secretary of State for Employment -
   i. to clear with the Prime Minister and the Chancellor of the Exchequer the text of an interim comment by the Government on the proposed TUC statement;
   ii. to revise the draft Government statement in the light of comments received and to circulate the revised draft for clearance by Cabinet on 4 July.

3. Invited the Chancellor of the Exchequer and the Secretary of State for Employment to see the nationalised industry chairmen, and the Secretaries of State for the Environment and for Scotland to see the local authority employers, as proposed in C(74) 58.

Cabinet Office
20 June 1974
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 27 JUNE 1974
at 11.00 am

PRESENT
The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Lord Shepherd
Lord Privy Seal
THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Samuel Silkin QC MP
Attorney General (Item 4)

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

Mr. Robert Sheldon MP
Minister of State, Civil Service Department
(Item 6)

SECRETARIAT

Sir John Hunt
Mr H F T Smith (Items 1 - 3)
Mr P Benner (Items 1, 2, 3, 5 and 6)
Mr J A Hamilton (Item 4)
Mr H F Ellis-Rees (Item 4)

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1. THE PRIME MINISTER said that the Government were entering into a period of intensive work owing to the number of major policy issues which would shortly be coming forward for consideration. The effort which had been put into the development of a voluntary incomes policy had culminated in the recent helpful statement by the Trades Union Congress - an outcome on which the Secretary of State for Employment was to be warmly congratulated and of which the maximum advantage should be taken in the positive presentation of the Government's policies - but decisions on a considerable number of equally important matters would have to be taken before the beginning of the Summer Recess. Until then it would probably be necessary for the Cabinet to meet twice a week, on Tuesdays and Thursdays, and Ministers should hold themselves available accordingly.

The Cabinet -

Took note of the Prime Minister's statement.

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

European Community Regulations

The Cabinet noted that the debate on certain European Community Regulations which was to take place on 3 July, following reports submitted by the House of Commons Scrutiny Committee, was likely to range widely and might lead to some discussion of the extent to which decisions by the United Kingdom Government were liable to be circumscribed by Community requirements. A wide debate of this kind might, however, be positively advantageous to the extent that a clear expression at this stage of the views of Parliament on these matters would contribute to achieving a satisfactory outcome to the renegotiation process.

Debate on Pension Policy

The Cabinet were informed that there was some prospect of the Government being defeated on the Opposition Motion about pension policy which was to be debated on 1 July. The Motion would call on the Secretary of State for Social Services to reverse her decision not to bring the reserve pension scheme into early effect and to refer to a Select Committee any proposals she might wish to make for changes in the pension arrangements provided for in the Social Security Act 1973. Despite the risk of defeat, it was not proposed during the debate to concede the principle of setting up a Select Committee. If the Opposition
Motion were carried, it did not appear that the Government would be obliged to regard it as an instruction which must be complied with, though they would of course have to promise to give it serious consideration. In these circumstances the best course would be to try to secure the Motion's defeat.

Date of Summer Recess

The Cabinet were informed that the Opposition were not being as co-operative as had originally appeared likely in expediting the progress in the House of Commons of the Trade Union and Labour Relations Bill. This would delay its introduction into the House of Lords; and since time would have to be allowed for the Commons consideration of Lords amendments, it would not now be possible, as had been hoped, for the House to rise for the Summer Recess on 19 July. On present indications it might be necessary to continue to sit for some or all of the week beginning 29 July.

Report by Services Committee on Car Parking

The Cabinet noted that in their recent Report on Car Parking for the House of Commons the Services Committee had recommended that the Speaker's Court should no longer be used for parking. This would cause Ministers considerable inconvenience. The decision whether to accept the recommendation rested with the Speaker, who was aware of the problems involved. The question of ensuring that suitable facilities were available for Ministers' chauffeurs was not being overlooked.
NUCLEAR TESTS

3. The Cabinet considered nuclear tests. Their discussion and the conclusions reached are recorded separately.

CONCORDE

4. THE LORD CHANCELLOR recalled that the Cabinet at their meeting on 23 May had agreed that it would be preferable for the Concorde aircraft project to be cancelled if the consent of the French Government, however reluctant, could be secured; but if not, the programme to build 16 aircraft should be completed. The Secretary of State for Industry had been invited to prepare, in consultation with other Ministers concerned, a negotiating brief for the discussions with the French Government. But a substantive difficulty had emerged. The Cabinet had originally envisaged that we should as a first step explore the views of the French Government, making clear our own view of the strength of the economic case for cancelling the project; and thereafter consider the outcome of these discussions before reaching a final decision. The Secretary of State however had taken the view that since the Cabinet's previous discussion a number of events had occurred which effectively put cancellation out of the question; and that to insist on it to the French would be both futile and damaging to our interests. The Secretary of State had therefore proposed that if the French Government were clearly to resist the option of cancelling the project when this was proposed to them, he should be authorised to consent, without further reference to the Cabinet, to the continuance of the programme to complete 16 aircraft. It had seemed desirable to him to refer this new proposal to the Cabinet.

THE PRIME MINISTER said that on hearing of this from the Lord Chancellor he had decided that he would himself raise the question of Concorde with the French Prime Minister, M. Chirac, whom he and the Foreign and Commonwealth Secretary had met in Brussels the previous day. M. Chirac however had himself introduced it at the outset of their conversation, citing it as one of three topics (the others being the Channel Tunnel and the Common Agricultural Policy) which the French Government would like to discuss when he saw President Giscard d'Estaing in July.

On the Common Agricultural Policy M. Chirac had expressed much concern, but seemed to have nothing new to say. On the Channel Tunnel, it was clear that the new French Government had decided that the project must take a lower priority, and M. Chirac had made a firm request that we should join with them in deferring progress on it. When it came to Concorde, however, so far from being prepared to limit the programme,
M. Chirac had spoken in terms of producing 200 aircraft. In reply he himself had outlined the very strong economic arguments against the project, though he acknowledged that wider issues were also at stake; while emphasising that the British Government had as yet taken no decision about the future of the project, he had underlined the importance, both for the industry and for the airlines, of dispelling uncertainty; and he had finally asked outright what the attitude of the French Government would be towards a proposal that the project should be cancelled. "Negatif!" M. Chirac had replied; and had gone on to dismiss with contempt the environmental arguments against the project, and enlarge on its political, technological and economic benefits.

M. Chirac had made it clear that the decision in this matter would rest with the President; but it was equally clear from his attitude that a proposal on our part to cancel the aircraft would be firmly resisted by the French Government. The present occasion would not be opportune for the Cabinet to reach any new decision in the light of these developments. He proposed however that the Ministers concerned should now prepare, for approval by the Cabinet, a statement and brief for his forthcoming meeting with President Giscard d'Estaing that would take account of these factors and address itself to the detailed provisions that would be necessary to safeguard our position and limit our liability if it proved necessary to continue with production of the aircraft.

In discussion the view was expressed that a decision to proceed with the project, while naturally welcome to opinion in the industry and the areas where employment on the project was concentrated, was to be deplored on economic grounds, would impose a large additional burden on public expenditure, and would be viewed with mixed feelings in the country at large. From this point of view it would be necessary to examine with the greatest care the position of the French Government as it had now emerged and the scope for limiting our liabilities. But whatever the eventual outcome of the further discussions on Concorde might be, it was clearly in our interests to make the best use possible of the cards available to us, particularly over the Channel Tunnel, where the French were themselves seeking to resile from a joint undertaking, and not to acquiesce without demur to every French demand. On the other hand it was pointed out that the Cabinet had already decided that if the French Government refused their consent to cancellation, the programme to build 16 aircraft should continue; and indeed it seemed likely that there would be considerable difficulty in persuading the French Government even to limit the programme to that number. In that connection it was for consideration whether there would
be advantage in the Secretary of State for Industry having a
discussion with the French Minister of Transport, perhaps
accompanied by the Attorney General, to establish the legal
and technical parameters before the Prime Minister met the
French President; or whether technical discussion should await
the basic political decision. As to the question of using
Concorde as a bargaining counter in other negotiations, it should
not be forgotten that there was a deep commitment to the Concorde
project in the public mind, to which the Channel Tunnel and the
Common Agricultural Policy bore no relation; and on wider
grounds it would be unfortunate if the present negotiations on
restructuring the Common Agricultural Policy, which the
Minister for Agriculture had been conducting with conspicuous
success, were to become involved with a decision on the future
of Concorde.

In further discussion it was noted that a number of the
Government's supporters in Parliament, no doubt urged by the
trade unions whose members were associated with the Concorde
project, had been pressing for a Party meeting on the project.
This might come at an awkward time in relation to discussions
with the French Government, and it might be preferable for the
Prime Minister not to make a statement on that occasion.

THE PRIME MINISTER, summing up the discussion, said that
in the light of his talks with the French Prime Minister (the
record of which would be circulated to members of the Cabinet)
and of their present discussion, the Ministerial Committee on
the Concorde Project should consider the lines of a negotiating
brief for his forthcoming meeting with the French President.
The brief should rehearse the arguments against unilateral
cancellation, provide detailed arguments in support of our view
that if the programme were to proceed it should be limited to
16 aircraft and indicate the safeguards needed to limit our
liabilities. It was likely that his meeting with the French
President would take place during the third week of July, and
the Cabinet would wish to consider the negotiating brief
beforehand. Meanwhile it was of the highest importance that
no information about these matters should be divulged; and the
next meeting between the Secretary of State for Industry and the
French Minister of Transport should not be held until after his
own meeting with the French President.

The Cabinet -

1. Took note, with approval, of the summing
up of their discussion by the Prime Minister.
2. Invited the Secretary of State for Industry to submit a draft negotiating brief, as indicated by the Prime Minister in his summing up, to the Ministerial Committee on the Concorde Project.

3. Invited the Lord Chancellor to arrange for the Ministerial Committee on the Concorde Project to submit the negotiating brief for their approval before the Prime Minister's forthcoming discussions with the French President.
5. The Cabinet resumed their consideration of building society finance.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that, as a result of the reduction in operating margins which had been caused by the recent increase in the composite rate of tax, the building societies were under increasing pressure to increase the mortgage rate by \( \frac{\frac{1}{2}}{\text{per cent}} \). The Ministers immediately concerned had discussed the position and had concluded that it was on political grounds essential to avoid any increase in the mortgage rate at present. The remedial measure they had considered included a reduction in the composite rate of taxation and a direct cash grant to the building societies (which would cost about £6\( \frac{3}{4} \) million a month). The former had been rejected, while the latter, though perhaps a course of last resort, was open to substantial objections. It had therefore been decided to investigate the possibility of persuading the building societies to run-down their reserves in the short term, on the understanding that if they fell below the minimum permitted level they would be "topped up" as necessary with interest-free Government bonds. This approach was now being investigated. If it proved impracticable, or if the building societies declined to adopt it, it might be necessary to revert to the idea of a direct cash grant. It was also intended that the categories of house purchasers eligible for loans from local authorities should be widened so as to include the first-time purchasers of new houses where it was expected that the transaction would be completed in 1974. The additional expenditure could be met from within the current PESC allocation of the Department of the Environment. It was not proposed at the present stage to establish a committee of inquiry into long-term issues, or to set up a National Housing Finance Corporation, though it was hoped to arrange for a suitable reference to the latter to be included in the Labour Party's Election Manifesto. He would keep the Cabinet informed of the progress of the discussions with the building societies.

The Cabinet took note, with approval, of the statement by the Secretary of State for the Environment.
6. The Cabinet had before them a memorandum by the Lord President of the Council about Teachers' Pensions (C(74) 62).

THE LORD PRESIDENT OF THE COUNCIL said that on 28 November 1973 the then Secretary of State for Education and Science had accepted in principle a Motion put down by the Labour Party, then in Opposition, calling for a reduction in the teachers' pension contribution and the reckoning as to half for pension purpose of the war service of post-war entrants to teaching on the same lines as applied to the Civil Service. Since then the Social Services Committee (SS) had considered a number of detailed points, which had now been satisfactorily settled, about the application of the war service provisions to teachers. A major problem had however been presented by the repercussions which the concession to teachers would have elsewhere in the public service, particularly in relation to the police, the fire service and the health professions. There was a danger of earlier retirements, with damaging effects on manpower; and the public expenditure implications were considerable - the total additional cost might be as much as £100 million, more than half of which would fall within the next five years. The majority of SS Committee had concluded that there was no choice but to honour the firm commitment which had been given in respect of teachers, but that, though similar treatment would almost certainly in due course have to be extended to other groups, every effort should be made to limit the concession in the first place to teachers. The Secretary of State for Social Services and the Minister of State, Home Office had, however, argued that it would in practice be impossible to do this; that to widen the concession to all the groups concerned would represent an irrational and unacceptable use of financial resources which were already inadequate; and that, despite the difficulties, the only acceptable solution was to give no concession to any group at all, including the teachers.

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the teachers expected the early implementation of the resolution passed by the House of Commons and that discussions were in fact in progress. The delay which had taken place was losing much of the goodwill which had been gained by the original decision, and to resile from something to which both the major political parties were committed would cause a serious row with the teachers and do much harm to the profession's morale, which was already low.

THE HOME SECRETARY stressed the serious repercussions which would follow for the police, and to a lesser extent the fire service. The prospect of earlier retirements was worrying. The police had for many years been campaigning for the kind of concession now proposed for the teachers but the pressure from them had successfully been resisted. Continued resistance would however
be quite impossible if the teachers were treated in the way now proposed by SS Committee; and there were in fact no arguments which could be advanced with any prospect of success. But continued resistance would be possible if no concession were made to any group; and this was in his view the right line to adopt, given that it was impossible to give high priority to the additional expenditure implied by the proposed concessions.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that she was exposed to similar pressure from the doctors and nurses, and would be unable to resist it if the proposed concession were made to teachers. The additional cost would be considerable and would represent an indefensible diversion from much more urgent objectives of resources which were already inadequate.

In discussion, it was argued that a similar approach would have to be adopted towards all the groups who were in the same position as the teachers. But the economic position had changed for the worse since the debate in the House of Commons in November 1973, and this might make it possible to take the line that, although the principle was accepted for all groups, no undertaking could be given at present about the time at which it could be put into effect. Against this it was argued that there had been longstanding discontent amongst teachers about the provision made for war service in their pension scheme; and that it would not be possible to go back on a concession which the Labour Party had proposed when in Opposition, which had been agreed by the House of Commons and on giving effect to which the previous Government had opened discussions with the teachers. Moreover, merely to defer implementation of the scheme would not lead to any reduction in total expenditure, but only affect its timing.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that if the proposed concession were made to the teachers a similar one could in principle not be denied to the other groups which were in the same position. The commitment to the teachers was inescapable and must be honoured, and the Secretary of State for Education and Science should therefore resume his discussions with the profession, on the basis that any additional cost would be met from within his Department's PESC allocation. While the Cabinet agreed in principle that similar arrangements should be applied to the other groups concerned, it would be for the responsible Ministers to decide on the timing; and in doing this they would no doubt have regard both to the tactical position in relation to the groups concerned and to the other competing demands on their PESC allocations, within which any additional expenditure arising would have to be contained.
The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Ministers concerned to be guided accordingly.

Cabinet Office

27 June 1974
THE PRIME MINISTER said that he was aware that some of his colleagues felt that there should have been discussion in the Cabinet before it was decided to carry out the recent test of a British nuclear device in the United States. There was however a long-standing convention that particularly sensitive questions in the field of foreign affairs, defence, security and intelligence were not discussed in full Cabinet. In the past this convention had applied to plans for nuclear testing: and the last British test, carried out in 1965, had not been approved by Cabinet. The decision, taken by senior Ministers shortly after they came into Office, to go ahead with the recent test thus followed precedent. It was however solely a decision to keep open the option of retaining a credible deterrent and did not prejudge any policy decision. The policy decision on the future of the British nuclear deterrent would be taken in the context of the defence review, which - including the future of the nuclear deterrent - would be brought to Cabinet at the appropriate moment. In the meantime, as he had stated in Parliament, there would be no further nuclear testing.

The Prime Minister, summing up a brief discussion, said that given the concern which had been expressed, he would, in consultation with the senior Ministers most immediately concerned review the procedures for authorising British nuclear tests, with particular regard to the security aspects, and consider whether it would be reasonable to depart from precedent so that plans to hold any future tests could be discussed in Cabinet. They would then report to Cabinet.

The Cabinet -

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

Cabinet Office

28 June 1974
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on

TUESDAY 2 JULY 1974

at 11.00 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon 'Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon John Morris QC MP
Secretary of State for Wales

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal
ALSO PRESENT

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr B C Cubbon (Item 4)
Mr H F T Smith (Item 1)
Mr J A Hamilton (Items 2 and 3)
Mr H F Ellis-Rees (Items 2 and 3)
Mr D Evans (Item 4)

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1. The Cabinet had before them a note by the Secretary of State for Northern Ireland (C(74) 64) covering a draft White Paper on Northern Ireland.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the draft White Paper would be published on 4 July, subject to Cabinet approval of the draft which was before them. The draft summarised the developments in Northern Ireland which led to the passing of the Northern Ireland Constitution Act 1973 and the setting up of the Northern Ireland Executive; gave an account of the circumstances which brought about the fall of the Executive; contained a section on the arrangements for financing Northern Ireland, a subject which he proposed to explain more fully in a further paper to be published at a later date; contained a further section on law and order; and ended with the most important section, describing the proposals which would be contained in the new Northern Ireland Constitution Bill which would shortly be introduced. The constitutional proposals were in accordance with the policy approved by the Cabinet on 13 June. Legislative authority previously enjoyed by the Northern Ireland Assembly would be transferred to Parliament and the Secretary of State for Northern Ireland would be accountable to Parliament. These arrangements would have to continue while we were seeking new constitutional arrangements for Northern Ireland. The White Paper described the proposal to hold elections to a Constitutional Convention, which would be required to make recommendations in the light of which proposals could be put to Parliament. He wished to draw the attention of the Cabinet particularly to paragraphs 44 and 45 which declared the need for the people of Northern Ireland to play their full part in determining their own future, and stated three facts which must be recognised: any pattern of government in Northern Ireland must be acceptable to the United Kingdom as a whole; a special relationship existed between Northern Ireland and the Republic of Ireland; and any solution in Northern Ireland must provide for some form of power sharing.

THE PRIME MINISTER, summing up a brief discussion, said that provision for the appointment of an independent chairman of the Convention was of special importance. In order to avoid suspicion or misunderstanding it should be made clear that he would be someone from Northern Ireland. The Cabinet agreed that the White Paper should be published on 4 July as proposed.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion, and invited the Secretary of State for Northern Ireland to proceed accordingly.
The Cabinet considered a memorandum by the Secretary of State for Energy (C(74) 65) to which was attached a draft Parliamentary statement announcing the Government's policy with regard to the exploitation of North Sea oil.

THE SECRETARY OF STATE FOR ENERGY said that the Ministerial Committee on Energy had invited him to submit to the Cabinet for their approval a draft statement outlining the Government's proposals in respect of North Sea oil. It began by setting the proposals firmly in the context of the Labour Party Election Manifesto, and referred to the developments in the world energy scene that made it essential for the Government to reach a new relationship with the oil companies. It then outlined action under five heads: legislation to impose an additional tax on companies' profits from the Continental Shelf and to close various loopholes in the rules governing existing taxation on their profits; conditions for Government participation in future licences; proposals to renegotiate existing licences to include Government participation; the establishment of a British National Oil Corporation (BNOC); and measures to control production and the rate of depletion of North Sea oil. The Committee had considered that in view of the speculation that was now developing about the Government's intentions, it would be desirable to make this statement at the earliest opportunity. On the other hand, he was under an obligation to consult British Petroleum before an announcement was made, and it would be desirable also to inform the United States Administration in advance, as well as the British Gas Corporation, the National Coal Board and those major oil companies whose licences he would hope to renegotiate. A further factor was that the Secretary of State for Scotland (who was unable to be present at their discussion) was proposing to make a statement on the way in which the benefits of North Sea oil might be deployed to the advantage of Scotland, and it was not clear that he would be ready to do so in this timescale. An early statement would add to the chances of a Parliamentary debate being demanded before the Recess; and although on some grounds this would be welcome, it might lead to difficulty in negotiation with the oil companies, particularly if the other Parties were to combine to defeat the Government's proposals.

In discussion, attention was drawn to the basis on which it was proposed that existing licences should be renegotiated. The Government had in mind a range of fiscal policies, beginning with changes in the framework of Corporation Tax which would be announced in the context of the present statement and being followed later by an Excess Revenue Tax, which would provide a strong inducement to the companies to negotiate participation agreements. But there would be serious objection to these measures
appearing purely as a device to persuade the companies to enter participation agreements; this would be repugnant to international law and might lead to heavy claims for compensation. It was particularly important at the present time that no pretext should be given to the international oil companies to threaten to withdraw their stake in the North Sea on the grounds, as the Conservative Party had alleged during the previous Election campaign, that the Labour Party was putting forward confiscatory proposals. On the other hand, it was suggested that both the statement of the Government’s objectives and the references to the proposed BNOC should be made more explicit: any statement of objectives should not appear to overlook the undertaking in the Manifesto that the Government would move towards majority public participation on all licences. In general, the need to conciliate the oil companies and international opinion must be carefully weighed against the importance, on broader political grounds, of a clear and vigorous statement of policy: this was particularly true of the Scottish aspects. The statement should therefore fully acknowledge the interest of Scotland and Wales in the prospective benefits from oil developments and in this context the terms used by the Prime Minister in his speech in Edinburgh during the previous Election might well be recalled.

In further discussion it was suggested that the statement as drafted was too lengthy, particularly if it were to be accompanied by a statement by the Paymaster General on the fiscal implications, and a further statement, possibly at a later date, by the Secretary of State for Scotland. There would be advantage in combining all these statements in a single White Paper. As to the timing, there were strong arguments in favour of making a statement at an early date: this was a major aspect of Government policy, on which there was a good story to tell: the Government should not hesitate to vindicate its policies and welcome a debate for this purpose, the more so as it would be of great importance to their political standing in Scotland.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the proposals which the Secretary of State had outlined in his draft statement. They considered that there would be advantage in announcing the Government’s intentions to Parliament as soon as possible, and that for this purpose a White Paper should be prepared covering the proposals in general, the tax changes which would be announced at the same time, and the implications for Scotland and Wales. This should be introduced by a short statement, which need do no more than recall the commitment undertaken by the Government and list the five main elements of the proposals. The White Paper should be published as early as possible the following week; to this end it would be helpful if the Cabinet could consider a draft, particularly covering the Scottish
and Welsh aspects, at their next meeting. If this were to prove impracticable in the time available he would consider what other arrangements might be made for collective approval by Ministers. The Cabinet recognised that an early announcement would probably lead to pressure for a debate, which need not be resisted; he might himself wish to take part in such a debate in order to challenge the Leader of the Opposition on his Party's response to the Government's proposals.

The Cabinet -

Invited the Secretary of State for Energy, in consultation with the Chancellor of the Exchequer and the Secretaries of State for Scotland and Wales, to submit urgently a draft White Paper on the Government's policy for North Sea oil, together with the text of a short statement introducing it, as indicated by the Prime Minister in his summing up.
3. The Cabinet considered a note by the Secretary of State for Energy (C(74) 66) to which was attached a draft White Paper on the Government's policy on nuclear reactor systems.

THE SECRETARY OF STATE FOR ENERGY recalled that the Cabinet at their meeting on 13 June had approved his proposals for the choice of a nuclear reactor system, and had invited him to submit a White Paper in the light of discussions with the nuclear interests. The decision in favour of the Steam Generating Heavy Water Reactor (SGHWR) had as expected been most unwelcome to the National Nuclear Corporation (NNC) and the General Electric Company (GEC), their major shareholder. Sir Arnold Weinstock, the Managing Director of GEC, had asked to be relieved of his shares in the NNC; but there were indications that he might be prepared to continue as a supplier. The Chairman of the Central Electricity Generating Board (CEGB) was similarly hostile to the Government's choice; though he had not sought to resign. He was pursuing his consultations with the nuclear interests, particularly with GEC, whose industrial commitment and outstanding management would be of the greatest value to the success of the SGHWR. Meanwhile he sought the agreement of the Cabinet to making his statement during the second week of July and attaching to the White Paper the report of the Nuclear Power Advisory Board.

In discussion it was noted that the announcement of the Government's choice, though likely to prove widely acceptable to public opinion in this country, would-be received abroad with disappointment, particularly in the United States and France; and there would need to be careful preparation with Governments concerned. It would be advantageous to stress the extent of co-operation with Canada which would flow from this decision. The CEGB, no doubt influenced by their Chairman's attitude, had suggested that the SGHWR programme was too ambitious, and were probably hoping that if it failed they would be able to revert to orders for the Light Water Reactor (LWR). It was further suggested that if GEC were to withdraw from the NNC, there might be a case for the Government increasing their present holding of 15 per cent to majority participation in the Corporation; for the present however the attempt should be made to preserve relations with GEC, whose technical competence the Government would certainly not wish to impugn. On the question of timing, it was remarked that the Government's decision in favour of the SGHWR was now widely rumoured. In the absence of any official statement, misleading accounts of the advice tendered to the Government were being put about, and misunderstanding of the Government's attitude might develop. On this account there would be advantage in making a statement as soon as possible; though it must be expected that this would lead to a request for a Parliamentary debate.
The following comments were made on the text of the draft White Paper:-

**Paragraph 6**

Fifth sentence - It would be preferable to say that the reliability of the system and confidence in it would contribute to a good economic bargain.

**Paragraph 14**

The first sentence seemed peremptory, and should not appear to exclude the possibility of GEC exporting the LWR themselves. A preferable formulation would be that the Government having carefully considered the merits of the two systems had concluded that the SGHWR had clear advantages over the LWR.

**Paragraph 18**

There was great uncertainty over the risks and problems of radioactive waste; this paragraph should avoid any suggestion of complacency, and emphasise the importance of careful siting.

**Paragraph 20**

This paragraph might with advantage acknowledge that differences of opinion had occurred but express the hope that the interests concerned would now support the Government's policy.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet approved the publication of the White Paper, subject to the amendments suggested in their discussion. The Secretary of State, in consultation with the Foreign and Commonwealth Secretary and the Lord President, should arrange for the text to be revised and published during the second half of the next week, following the announcement on North Sea oil which they had discussed under the previous item.

The Cabinet -

1. Approved C(74) 66, subject to the points made by the Prime Minister in his summing up of their discussion.

2. Invited the Secretary of State for Energy, in consultation with the Foreign and Commonwealth Secretary and the Lord President, to arrange for the White Paper to be published in the second half of the following week.
4. The Cabinet considered a memorandum by the Foreign and Commonwealth Secretary (C(74) 61) describing the stage reached in renegotiation and covering the questions of sovereignty and political co-operation. The Foreign and Commonwealth Secretary had also circulated (C(74) 60) a copy of his statement on 4 June to the Council of Ministers and an analysis of the attitudes of Commonwealth Governments towards renegotiation.

THE FOREIGN AND COMMONWEALTH SECRETARY said that in conducting the renegotiation of our terms of membership of the European Economic Community (EEC) he was following closely the programme set out in the Labour Party Manifesto. It would however be unrealistic to expect in any negotiation to achieve all the original objectives. At the end of the negotiation the Government would have to decide whether the package of changes that could be agreed was such as to make it better for the country to remain a member or to withdraw. Renegotiation was inevitably a long process. Its start had been delayed by the death of President Pompidou and the resignation of Chancellor Brandt, and it was now clear that other EEC Governments would not be prepared to make real progress in advance of the United Kingdom General Election. It was, however, important that the Government, in presenting the subject both domestically and in Europe should emphasise their determination not to allow renegotiation to drag on indefinitely and to give the British people the opportunity to express their opinion at the end of the renegotiation. He had been dismayed at the bureaucracy of the Commission, but while some Governments shared our desire to curb these bureaucratic excesses, the Italians welcomed Community direction because of their inability to manage their own affairs, and the German Government had good reasons for promoting the concept of European unity as a safeguard against a resurgence of German nationalism.

Renegotiation had been firmly launched by his statement to the Council of Ministers in Luxembourg on 4 June. The best progress so far had been on matters concerning the Commonwealth and developing countries. Commonwealth apprehensions about our membership of the Community had diminished over the last 18 months and (partly because of high commodity prices) there was no desire to return to traditional trading patterns. The Commonwealth saw the EEC market as offering new opportunities and regarded the Labour Government as a friendly spokesman within the Community. Some important issues, in particular sugar, had still to be settled, but recent decisions indicated that the Community
might in future become less of a "rich man's club". The Associated countries and those eligible for Association (including both Anglophone and Francophone African States) would shortly meet the Community in Jamaica to discuss arrangements under Protocol 22 of the Treaty of Accession. The Community mandate would open new areas of the EEC market to these countries and would not seek trade reciprocity. There were good prospects of agreement by the end of the year on a new Convention of Association.

Little progress had yet been made on renegotiation of the Community budget. The United Kingdom contribution was clearly inequitable but the other member states would be most reluctant to agree to changes. A formula under which each member paid according to its ability seemed a reasonable request. It would be fair, and since it would be self-correcting, would undermine the case of those other members who argued that we should become relatively more prosperous in the future. The Commission was producing a stocktaking of the situation; there might be an interim report to the Council in July but there would be no substantial negotiation before the autumn.

In the regional field our aim must continue to be to safeguard our freedom to give all necessary assistance in development areas. But given the strong competition for available investment funds it was to our advantage that there should be Community rules governing regional aids, and we should therefore play a full part in evolving such rules. We should avoid giving the impression that we wished to block the Regional Development Fund (RDF); though the size and distribution of the RDF could not be settled until the renegotiation of the budgetary contributions had been concluded.

The Legislation Committee had embarked on a study of the role of Parliament in the context of renegotiation. It was important to give full support to the Scrutiny Committee arrangements, which were intended to enable Parliament to give its views on Community proposals before they were discussed in the Council of Ministers. This need cause no embarrassment in the Council. All members recognised and accepted the consensus approach; it was up to us how we chose to interpret our vital national interests. Discussions with Council colleagues had revealed that the words "European Union" contained in the Communique of the Summit Meeting of October 1972 had no practical content. The Community was now attempting to discover what the different member states might mean by this concept. There was no danger to United Kingdom sovereignty from this work. We were a party to it and could
control both the content and the pace. The "political co-operation machinery" was however of great value. We should consider developing it further and when the time came to judge the results of renegotiation we should need to bring the advantages of political co-operation into the final judgment.

In discussion it was argued that in pursuing their renegotiation objectives the Government should have regard to the unpalatable terms of the Treaty of Accession and in particular the imposition on the United Kingdom of a written constitution detracting from the powers of Parliament. The Treaty had been signed against the wishes of the majority of the British people. On coming into Office the Government had rightly decided against the "empty chair" approach but the pressures of ongoing business and the need to preserve a good climate for renegotiation had weakened our bargaining power. Only the Community budget would be subject to any special procedure in renegotiation. By operating through the normal machinery of the Community on other matters and not laying down a firm timetable for the renegotiation, other members might not consider our proposals sufficiently seriously. Despite earlier criticisms of the "own resources" system, we had not attacked as a matter of principle the right of the Community to impose taxes in the United Kingdom, and we could be in further difficulty by the end of the year over Treaty provisions on capital movements. A further question was the possible need to amend the European Communities Act. It was for consideration as a matter of tactics whether we should now make it known that we were not prepared either to make the tariff changes due on 1 January 1975 or to move to the 1975 key for the budget contribution until satisfactory progress had been made in renegotiation.

THE PRIME MINISTER said that insufficient time remained to carry the discussion further and suggested that the Cabinet should resume it at their next meeting.

The Cabinet -

Agreed to resume their discussion of renegotiation on 4 July.

Cabinet Office

2 July 1974
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 4 JULY 1974
at 11.00 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales

The Rt Hon James Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs (Items 1-3)

The Rt Hon Roy Jenkins MP
Secretary of State for the Home
Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment
(Items 1-3)

The Rt Hon Shirley Williams MP
Secretary of State for Prices and
Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland
(Items 1-3)
The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal

ALSO PRESENT

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr P D Nairne (Item 3)
Mr H F T Smith (Items 1 and 2)
Mr P Benner (Item 1)
Mr J Anson (Items 4 and 5)
Mr D Evans (Items 2 and 3)
Mr R L Baxter (Items 4 and 5)

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PARLIAMENTARY AFFAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons during the following week. Efforts were being made to overcome the current delays in printing, which could impede the smooth conduct of Parliamentary business.

Presentation of Government Policies

THE PRIME MINISTER said that a special effort must be made during the coming weeks to secure a more adequate presentation of the Government's policies and achievements. Cabinet Ministers and more junior members of the Government should therefore take every suitable opportunity for making public speeches and for appearing on radio and television. It was important also that steps should be taken to secure adequate Press coverage. This was often difficult because of the unwillingness of most of the national Press to give a fair presentation of Labour Party policy, with the result that the reporting of Ministerial speeches and the use made of Press handouts was usually selective and often non-existent; but these difficulties applied very much less to the provincial Press, and good coverage there was frequently at least as valuable as in the national Press. As regards the substance of speeches, the aim must be to secure overall a balanced and accurate presentation of the Government's policies and to avoid any possible ground for the Conservative Press to suggest - as they were only too anxious to do - that Ministers were at odds.

The Cabinet -

Took note of the Prime Minister's statement.
2. THE FOREIGN AND COMMONWEALTH SECRETARY said that better evaluation of the agreements reached with the Russians during the visit of the President of the United States, Mr Nixon, to the Soviet Union should be possible after the American Secretary of State, Dr Kissinger, had visited London on 8 July. It was clear that little progress had been made on further measures to limit offensive strategic weapons; but it had been agreed that each country would develop anti-ballistic missile defences on only one site, and both would refrain from conducting underground nuclear tests of a magnitude greater than 150 kilotons, and we had welcomed this. The references in the communique to the Conference on Security and Co-operation in Europe might indicate that President Nixon had made concessions to the Russian desire for a meeting at the summit to mark the conclusion of the Conference, without having obtained concessions from the Russians on matters affecting human freedoms. If this turned out to be the case, there would be considerable concern among European countries. It was however too soon to be clear about this.

The Cabinet -

Took note of the statement by the Foreign and Commonwealth Secretary.
3. The Cabinet resumed their discussion of the memorandum by the Secretary of State for Foreign and Commonwealth Affairs (C(74) 61). The discussion and the conclusions reached are recorded separately.

4. The Cabinet had before them a memorandum by the Secretary of State for Employment (C(74) 67), to which was attached a draft Government statement on collective bargaining after the abolition of pay controls.

The Cabinet -

Approved C(74) 67, subject to clearance by correspondence of any drafting amendments which Ministers might wish to propose to the draft Government statement.
5. THE PRIME MINISTER said that, at their last meeting, the Cabinet had agreed that the proposed statements by the Secretary of State for Energy and the Paymaster General on North Sea oil should be combined in a White Paper dealing with North Sea and Celtic Sea oil and gas. They had also agreed that in view of the political interest in Scotland, the White Paper should deal with the Scottish and Welsh implications rather than leaving these to later statements. It had not proved possible to circulate the draft White Paper for the present meeting, but it was still desirable to publish it as early as possible in the following week. The Secretary of State for Scotland should discuss urgently with the Secretary of State for Industry the way in which the White Paper should deal with his proposal for a Scottish Development Agency.

The Cabinet -

Took note, with approval, of the statement by the Prime Minister.

Cabinet Office

4 July 1974
In resumed discussion of the tactics of renegotiating our terms of membership of the European Economic Community (EEC) it was argued that the Government's approach, as presented in the speech by the Secretary of State for Foreign and Commonwealth Affairs to the Council of Ministers in Luxembourg on 4 June, was unlikely to achieve the aims expressed in the Manifesto or to meet the interests of the country. Continued membership on the terms which now seemed likely to be obtained could be gravely damaging, particularly in the industrial and regional policy fields. Indeed representatives of the Commission had indicated to the Secretary of State for Industry that control over important areas had effectively passed to the Community. The Treaty of Paris appeared to leave little scope to national Governments to manage their steel industries; the Commission argued that the designation of particular areas for regional assistance must be primarily a matter for the Community rather than for national Governments; and, while Community rules did not appear to prevent state ownership of the shipbuilding industry, crucial decisions as to its productive capacity were apparently to be for the Community to settle. These examples showed the extent to which power appeared to have passed from member Governments contrary to our interests in the formulation and execution of the policies required in this country. Continued membership of the EEC on this basis would raise constitutional issues of the greatest importance. It appeared to involve a fundamental change in the responsibility of Ministers to Parliament and in the collective authority of Ministers. The Cabinet should have the opportunity to consider issues of this kind as they arose during renegotiation. It also appeared that opinion in Scotland and in Wales was generally against our membership of the EEC; if the Government persisted in seeking terms of membership which would be widely unacceptable, there was a real risk that this could eventually lead to the disintegration of the United Kingdom.
It was further argued that the Luxembourg statement did not adequately set out or give equal weight to all our renegotiation objectives. Whereas the Election Manifesto had spoken of "fundamental changes" in the Common Agricultural Policy (CAP), the Luxembourg speech had said that we sought changes consistent with the broad principles on which the CAP was based. Moreover, there had been no prior collective endorsement of the statement that our renegotiation proposals, if accepted, could be effectively implemented without need for amendment to the Community Treaties. It was generally thought that there had been a change in tone between the Luxembourg speech and the Secretary of State's initial statement to the Council of Ministers on 1 April; although clearly the tactics were a matter of negotiating judgment, this change of tone seemed to have caused some collapse in the Labour Party's confidence in the Government's determination to carry through the fundamental renegotiation to which they were committed. It was significant that while the question of the sovereignty of the British Parliament and the British people remained a major element in the renegotiation, this had received only an insignificant reference in the Luxembourg speech. This crisis of confidence faced the Government with a potentially very dangerous situation. Divisions in the Party had been healed in the past only by working out the compromise formula of the Manifesto calling for fundamental renegotiation of the terms of entry, to be followed by reference of the outcome to the British people. If the Government's supporters felt that this objective had been modified in order to make renegotiation easier, there would be serious political consequences and the likelihood of a renewed split.

Furthermore there were already signs that we would not achieve the objectives set out in the Luxembourg statement. The President of the Commission had said that he did not regard the Community as being engaged in any "renegotiation". One of the British Commissioners (Mr George Thomson) had forecast that on the important issue of the Community Budget we should get no more than a formula providing for adjustments to be made in the future if it turned out that our contribution was inequitable; and that this would depend on an undertaking to commend the results of renegotiation to the British people. In general, there now appeared to be a real possibility that our negotiating approach was not being taken sufficiently seriously by other Community countries. Consideration should therefore be given to adopting a more aggressive line. We should challenge the principle of the "own resources" system. We should make it clear that unless satisfactory progress had been made by the end of the year we would not be prepared to make the further changes in the import regime due at the beginning of 1975. We should now undertake serious studies of the alternatives to membership based on a free trade grouping including the Irish Republic, Denmark and other European Free Trade Association
countries. If practicable, such a grouping could have a beneficial trading relationship with the EEC; and effective East/West political co-operation arrangements would not be precluded within a Conference on Security and Co-operation in Europe (CSCE) framework. The Government should also demonstrate the seriousness of their intention by preparing a White Paper on the arrangements for a referendum of the British people - recognising that the introduction of the Scrutiny Committees did not touch the major sovereignty issue - and by examining the possibility of amending Section 2(1) of the European Communities Act.

On the other hand, it was strongly argued that the points made by the Foreign and Commonwealth Secretary at the previous meeting of the Cabinet were valid. Renegotiation had been firmly launched on lines which were fully compatible with the terms of the Manifesto. The Luxembourg speech had set out all the renegotiating objectives (the budget; the CAP; Commonwealth and developing countries; regional and industrial policy; and the issue of sovereignty) as specified in the programme for the 1974 Election. It was too soon to see how far we would achieve these objectives. Views expressed by individual members of the Commission about the likely outcome were however largely irrelevant since the decisions would be taken in the Council of Ministers. This was also the answer to statements by the Commission that the real power now rested with them. There had been no toning down of our objectives in the Luxembourg speech, or in the bilateral talks which the Prime Minister had had with the Heads of other EEC Governments. All these appreciated that this was a serious and fundamental renegotiation, but the fact had to be faced that they would be unlikely to make any significant concessions until the Government had obtained a working majority in a General Election. We were however already fully engaged in serious negotiations on the CAP. Our proposals for changes had been stated in detail to the Agricultural Council and included a new approach to methods of agricultural support; new criteria for CAP prices; and the adoption of the principle of national aids. We had already driven, in effect, a coach and horses through the principles of the CAP by insisting on national subsidies for certain commodities during the Community price negotiations in March 1974, and by refusing to apply permanent intervention arrangements for beef. Our criticisms of the beef arrangements were now being borne out by market difficulties, and there was a prospect that the Community would soon agree to new arrangements, including a form of deficiency payment. We had proposed improved arrangements for dairy products up to 1982 and beyond on which New Zealand had expressed satisfaction. On sugar we were seeking to fulfil our commitment to secure long term access for the developing Commonwealth countries. Finally there were encouraging signs of development in the Community's attitude towards the developing countries.
In settling our tactics, we had to judge what approach would be most likely to produce the results we wanted. It was doubtful whether a more aggressive approach expressed in nationalistic terms would have greater chance of success. While there were those in the Community who might well be happy to see us withdraw and would consider that the loss was ours, the leaders of most Community countries had made it clear privately not only that they took renegotiation seriously but that they would consider how our objectives might be met, consistent with their own interests. There was no real evidence to show that the Luxembourg speech had led to any doubts or cynicism about the firmness of the Government's intention to pursue the objectives of the Manifesto. However it could be argued that the case against membership on grounds of loss of sovereignty tended to be overstated. Indeed it could be dangerous to adopt an excessively nationalistic approach since in many important areas it was no longer possible for any Government alone to determine its own destiny or pursue effective policies; and we were party to other Treaties or agreements (eg. North Atlantic Treaty Organisation, the General Agreement on Tariffs and Trade,) which effectively limited our freedom of individual action.

It was also argued that much of the continuing opposition to our membership of the Community rested on a misunderstanding of important facts. There had been swift and radical changes in the situation. The Governments of India and of other Commonwealth countries had made it clear that they supported our continued membership as a beneficial element within the Community. The most frequently heard arguments against Community membership rested on the high cost of food; and yet prices for many important categories of food within the Community were now considerably lower than the world prices to which we would be subject outside the Community. It was essential that facts such as these should be fully explained so that our Community membership should be seen in its true perspective. The ultimate decision should be taken on an informed basis and in the light of the external factors affecting British prospects in the world.

It was also argued that, although it might prove politically essential to hold a referendum on membership once renegotiation was complete, the Government should consider very carefully the constitutional implications of doing so. The principle that particular issues could be decided by referendum was potentially far more damaging to Parliamentary sovereignty than the issues of sovereignty that had been argued against our membership of the Community.
THE PRIME MINISTER, summing up the discussion, said that the Cabinet had had a valuable discussion of the current position on renegotiation: and they would need to continue to review progress collectively from time to time. Renegotiation had been launched on a basis consistent with the Manifesto terms and with the policies on which the Labour Party had fought the last Election. There had been little progress so far and there would be serious difficulties in securing the results we wanted. It was not to be expected that other Community Governments would commit themselves until they were clearer about the political situation in the United Kingdom. At the end of the negotiations members of the Cabinet might take different views about the results; but at the present stage it was essential that the Government as a whole should maintain a unified and coherent stance consistent with its past commitments and the Manifesto. Renegotiation was likely to start in earnest after the Community's summer break, and was unlikely to be concluded before the end of the year or the early months of 1975. If there were to be an Election here in the autumn, it would be necessary for the Government's Manifesto to mention the timescale for completion of the renegotiation and the way in which the British people would be consulted on the results.

The Cabinet -

Took note with approval of the summing up of their discussion by the Prime Minister.

Cabinet Office

5 July 1974
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
TUESDAY 9 JULY 1974
at 10.30 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Réginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal
THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Edmund Dell MP
Paymaster General

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr H F T Smith

SUBJECT

THE CHILEAN DEBT
The cabinet had before them a memorandum by the Chancellor of the Exchequer (C(74) 63) on the rescheduling of Chile's external debt.

The Paymaster General said that Chile had defaulted on her external debt in 1971, and in 1972 debts falling due up to the end of that year were rescheduled in agreement with Chile's Western creditors, including the United Kingdom. Chile again defaulted and a number of the Western creditors, known as the Paris Club, had reached a multilateral agreement this year on the basis on which Chile's debt repayments for 1973 and 1974 might be rescheduled. The multilateral agreement would be implemented through bilateral agreements between Chile and individual creditor countries. Negotiations between the Export Credit Guarantees Department (ECGD), and the Central Bank of Chile on a bilateral agreement had reached an advanced stage. He now sought the agreement of the cabinet to the conclusion of this agreement. A number of questions had been asked by his colleagues about this agreement. He therefore wished to explain that rescheduling did not amount to a new loan: it was an arrangement to enable creditors to get their money, which in the absence of rescheduling would not be paid. The terms were related to the ability of the debtor country to pay and on this the Paris Club received advice from the International Monetary Fund. Under the 1972 arrangements 70 per cent of the debts were rescheduled; in discussions with President Allende's Government in 1973 we had offered to reschedule 90 per cent of the debts, but these discussions had not been concluded when that Government fell; the current negotiations provided for 80 per cent rescheduling. It had been asked whether rescheduling would help Chile to pay for the warships being supplied by this country. The contract for the warships provided for cash progress payments amounting to £7.6 million, and for loans covered by ECGD and amounting to £33.2 million which covered the rest of the purchase price. Repayment of the loans was spread over the period 1973-1980. The cash progress payments were not covered by rescheduling and Chile had not defaulted on them. Ownership of the warships had passed to Chile when the first cash progress payment was made. The loan repayments due for 1973 and 1974, amounting to £7.2 million, would be covered by the rescheduling arrangements. They represented rather less than one-third of the total of £25 million debt covered by the arrangements. At the meeting of the Paris Club the chairman had proposed that in reaching bilateral agreements with Chile member countries should make clear their views on the need for the restoration of human rights in Chile, and the Foreign and Commonwealth Secretary had agreed that we should do this.
THE FOREIGN AND COMMONWEALTH SECRETARY said that the Socialist International had called upon Governments to link the conclusion of bilateral negotiations with Chile with the restoration of human rights there. Since coming into office the Government had played a leading part in pressing the Government of Chile on human rights. It was on our initiative that the Economic and Social Council of the United Nations had agreed in May to representations to the Chilean Junta. In the same month, and again on our initiative, the members of the European Economic Community had agreed to intervene with the Junta on behalf of 9 persons who were under sentence of death; but this intervention had proved unnecessary since the death sentences had been commuted. Her Majesty's Ambassador had, on instructions, made strong representations to the Chilean Government; in June the Ambassador had delivered a Note to the Chilean Foreign Minister, and we had not accepted the Chilean objection that we were attempting to intervene in their domestic affairs. Although it could not be proved that this pressure had led to some improvement, it was a matter of fact that executions had stopped, death sentences had been commuted and a number of people had been released, including the former President of the Chilean Radical Party who had been freed from confinement on Dawson Island and allowed to return to his practice as a lawyer. We would continue to press the Chilean Government.

In discussion it was claimed that the proposed bilateral agreement would cause much concern among the Government's supporters. Many of the latter had been much disturbed that we had not frustrated the sale of the warships; and whatever the technicalities it would now appear that this sale had itself increased Chile's debt and that rescheduling of the latter was necessary to allow Chile to pay for them. We should therefore examine whether, if rescheduling did not take place and the Chileans failed in consequence to make loan repayments on the warships, we would have grounds for preventing the removal of the ships. Alternatively we should tell the Chilean Government that rescheduling would not be agreed unless they restored human rights in full. It was pointed out however that the advantage to Chile lay in the multilateral nature of the agreements to reschedule debts. The United States had already concluded an agreement and a number of other countries were proposing to do so. This would be sufficient to establish Chilean creditworthiness. A unilateral decision by us to refuse to reschedule, or to impose such political conditions as would lead Chile to refuse our bilateral agreement, would have as its only result that our creditors would not get paid. Chile would suffer no disadvantage. The warships belonged to them; and there were no grounds on which we could recover them legally. Chilean crews were already on board some of the ships and entitled to take them
away at any time, so we would be obliged to take the vessels by force; and if we were to do that, the Chileans could sue for the return of payments already made and could take us to the International Court. It seemed likely that the pressure we had brought to bear on Chile by other means had contributed to some improvement in the situation in that country; if we refused to reschedule the debts or if we sought to interfere with the warships our ability to influence the Junta would be ended.

THE PRIME MINISTER, summing up the discussion, said that the first consideration must be to improve the lot of the Junta's victims and to help towards the restoration of human rights in Chile. At the recent meeting of the Socialist International the exiled Secretary General of the Chilean Radical Party had been very appreciative of our efforts. We would continue to put pressure on the Junta. The Cabinet recognised the strength of feeling about the warships, and this to some extent coloured the present discussion about rescheduling. A decision on the warships had however been taken and it was clear that a negative attitude on our part towards rescheduling the debt did not offer a means of recovering the ships. Rescheduling was in our interest, as creditors, and the bilateral agreement should be concluded.

The Cabinet -

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

Cabinet Office

9 July 1974
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 11 JULY 1974
at 11.00 am

PRESENT
The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy (Item 1)

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales

The Rt Hon Fred Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Lord Shepherd
Lord Privy Seal
THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Robert Mellish MP  Mr Robert Sheldon MP
Parliamentary Secretary, Treasury  Minister of State,
Civil Service Department  (Item 6)

SECRETARIAT

Sir John Hunt  (Item 2)
Mr P D Nairne  (Item 2)
Mr H F T Smith  (Items 4-6)
Mr J A Hamilton  (Items 1 and 3)
Mr K R Stowe  (Item 4)
Mr H F Ellis-Rees  (Item 2)
Mr D Evans  (Item 5)
Mr R G S Johnston  (Item 6)
Mr R L Baxter

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1. The Cabinet were informed of the business to be taken in the House of Commons during the following week. The debate on the Motion on the Counter-Inflation (Abolition of Pay Board) Order could prove difficult since it was likely that the Conservative Opposition and the Liberals would oppose it.
2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the resignation of the Portuguese Prime Minister, Dr Palma Carlos, and four of his colleagues reflected divisions within the Government on internal policies, particularly in economic matters. The Socialist Foreign Minister, Dr Soares, was in a position of some difficulty; there was a measure of agreement between Communist and non-Socialist members of the Government. The Armed Forces Movement at present tended to support the right wing on internal matters, but sided with the left wing about the need to move quickly towards decolonisation of Portugal's overseas territories. There were some indications that General Spinola might be tempted in due course to establish a presidential form of government; but at present the most likely outcome was for Dr Carlos to be asked to attempt to form another Government.

The Cabinet -

1. Took note of the statement by the Foreign and Commonwealth Secretary.

The Cabinet was informed that the Council of Ministers (Agriculture) on 15-16 July would be considering proposals by the Commission for changes in the arrangements for beef under the Common Agricultural Policy (CAP). The Commission proposals presented potential political risks; they included the possibility of sales of cheap beef for certain classes of organisations and consumers within the Community, and they were of special importance to the United Kingdom both because of their relationship to our proposals for the renegotiation of the CAP and because of the great sensitivity of the current beef situation. It would be particularly important to ensure that no decisions were taken by the Commission which might be shown to be comparable to the decision in 1973 to sell 200,000 tons of cheap butter to the Soviet Union.

THE PRIME MINISTER, summing up a brief discussion, said that the Minister of Agriculture would be circulating a minute to those of his colleagues most concerned setting out the approach he proposed to adopt on 15-16 July in the Council of Ministers, where the task would not be easy. It was important for the Government's policy towards the Community Beef arrangements to be fully understood and he would himself be making an appropriate reference to the subject in a forthcoming public speech. The Foreign and Commonwealth Secretary would be considering whether, in the meeting of the Council of Ministers (Foreign Affairs) on 22-23 July, to draw attention to the problem in the Community beef market as a way of exposing further the failings of the CAP and thus helping to promote our renegotiation objectives.

The Cabinet -

2. Took note,
3. **THE CHANCELLOR OF THE DUCHY OF LANCASTER** said that in his further meetings with representatives of the Building Societies Association he had asked them to maintain the mortgage rate at 11 per cent until about the end of the year; and in order to help them cope with the resultant pressure on building society margins had offered them a Government reserve certificate, to be encashable at the end of a society's current financial year if it were then needed, to ensure that the society's reserve ratio did not fall below the level which qualified it for trustee status. The building societies had rejected the proposed scheme, as a measure likely to lead to the Government having too much control over their activities, and had said that they expected to cope with the problems of margins, without raising the mortgage rate, for a few more months. They had agreed to recommend to their Council meeting on Friday 12 July, that the mortgage rate should be maintained at 11 per cent for three months on the understanding that matters could be further reviewed thereafter. It seemed likely that the Council would accept this recommendation, and that they would then ask the Government to make available the fourth £100 million tranche of the £500 million line of credit. It was also likely that the Council would want the Government to release the fifth tranche in August and he proposed that the Government should do so if the request were in fact made.

**THE PRIME MINISTER**, summing up a brief discussion, said that the Cabinet congratulated the Chancellor of the Duchy of Lancaster on the outcome of these negotiations. The probability of the building societies holding their mortgage rates was conditional on the movement of interest rates generally but it was very satisfactory that the rate looked as though it would be held until the autumn. The Cabinet agreed that the further tranches of the £500 million line of credit should, if required, be made available by the Environment Secretary in consultation with the Chancellor of the Exchequer.

The Cabinet -

T ook note, with approval, of the Prime Minister's summing up of their discussion.
4. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(74) 68) about possible changes to assisted area boundaries.

THE CHANCELLOR OF THE EXCHEQUER said that the Ministerial Committee on Economic Policy (EC) had recently discussed possible changes to assisted area boundaries on the basis of a report by officials which recommended that no changes should be made for the present, but that the matter should be looked at again towards the end of the year in the light of decisions on steel closures and of possible changes in the regional employment pattern. EC had agreed that there was a strong case for a fundamental review of assisted area policy at an appropriate time; but were divided on whether there should be some immediate changes in advance of such a review. If immediate changes were to be made the proposal was that Merseyside and North West Wales should be upgraded from development to special development areas, Edinburgh and the Cardiff travel to work area (excluding Newport) from intermediate to development areas, and Chesterfield should become an intermediate area. The cost of such a package would be about £20 million a year. The economic arguments in favour of it were not strong - it would only tend to dilute the effectiveness of existing measures - and though political advantage might be gained from making certain changes, his colleagues would wish to bear in mind that with the present constraints on public expenditure the cost would have to be met from savings in other programmes.

THE SECRETARY OF STATE FOR INDUSTRY said that the proposals now before the Cabinet stemmed from his original suggestion that changes should be made to correct three outstanding anomalies - Merseyside, Chesterfield and Edinburgh - for each of which there was a strong case both in the light of their industrial and employment problems and in comparison with similar areas which already enjoyed a higher degree of assistance. In their discussion EC had accepted that there were strong arguments for including North West Wales and Cardiff in the package; though there might be some risk that the upgrading of Cardiff would be publicly interpreted as a premonition that the East Moors steelworks would be closed. At a cost of about £20 million a year these changes would represent a modest but useful expenditure on direct assistance to areas of particular concern to the Government, and might with advantage be included with the other measures to deal with the current economic situation that the Chancellor of the Exchequer was at present considering. They would also bear out the undertaking in the Labour Party Manifesto, reinforced by the commitment in The Queen's Speech, that the Government would give a high priority to its regional policies.
THE SECRETARY OF STATE FOR SCOTLAND said that he had serious doubts about the value of these changes on regional grounds. From such a pattern Scotland was bound to lose. Of the £20 million a year that they would cost, £19 million would go to England and Wales, and the total population of the special development areas would be increased by over three-quarters of a million further diluting the attraction of the existing areas: a glance at the map showed that the areas now proposed for upgrading would act as a barrier to mobile industry, which was mainly to be found in the South East quarter of Great Britain, from moving further North to areas of greater need. Unless additional resources were to be devoted to Scotland, he would find it difficult to agree the proposals.

THE SECRETARY OF STATE FOR WALES said that on economic grounds there was a strong case for upgrading the status of South East and North East as well as North West Wales; but he recognised that the extent of the problem in North East Wales would depend largely on the outcome of the steel reorganisation, and at present he did not wish to do more than call attention to it. In the South East there had been a long campaign for improving the status of Cardiff, and although he recognised that a final decision on steel closures had still to be made, there must inevitably be a substantial loss of jobs in the next two years. Moreover, if Cardiff were to be treated dissimilarly from Edinburgh, the Government would be seriously criticised by Welsh opinion and the Nationalist Movement would benefit accordingly. The case for upgrading North West Wales was very strong: a comparatively small amount of money was at stake; but traditional industry was declining inexorably, unemployment was long established and now rising, and workers were drifting away.

In discussion there was widespread agreement that the whole pattern of regional assistance needed a thorough review; but it was recognised that such a review could not well be undertaken before the autumn. In the meantime the realistic choice lay between making all the changes canvassed, or none of them. It was urged that there were strong arguments in favour of each change, and there would be clear political advantage to the Government in demonstrating its concern for these areas: a modest degree of regional reflation would chime with the needs of the present economic situation. Although the changes would have to be notified to the Commission of the European Economic Community, it was not thought likely that any objection would be raised to them. On the other hand it was argued that changes in assisted status would bring no immediate benefit to the areas concerned, and the political advantage that would be gained in them might well be offset by ill-feeling among areas that had not been selected; there was also a risk of raising unnecessary fears about their economic condition and prospects. Granted the need for a thorough review of regional
policy, it would be unwise to anticipate its conclusions by making short-term changes whose benefits might prove to be illusory: there were more effective ways in which expenditure of this order could immediately be deployed in support of the Government's policies.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet accepted that if changes to assisted areas were now to be made, they should be those identified in C(74) 68; but the majority of the Cabinet was not at present in favour of such a step. It would in any case be inappropriate to take a decision in this field before they had been informed of certain economic measures which the Chancellor of the Exchequer was considering. If desired, the question of changes in assisted area boundaries could be reopened after the Chancellor's intentions were known.

The Cabinet -

Agreed not at present to pursue the changes to assisted area boundaries identified in C(74) 68.
5. The Cabinet had before them a memorandum by the Secretary of State for Industry (C(74) 69) about interdepartmental studies by officials of the proposals for taking into public ownership the shipbuilding and aircraft industries.

THE SECRETARY OF STATE FOR INDUSTRY said that at its meeting on 4 July (IDV(74) 2nd Meeting), the Ministerial Committee on Industrial Development had agreed in principle that the shipbuilding industry (including ship repairing and marine engineering) and aircraft industry should be taken into public ownership. A number of detailed points required further study and he had been invited to arrange for this to be carried out by two interdepartmental groups of officials. The shipbuilding group would study the structure of the proposed nationalised body; the role of the National Enterprise Board (NEB); the special requirements of warship building; the possibility of expanding into chemical as well as marine engineering; and the timing to be followed. The future of Harland and Wolff however would be excluded from the group's terms of reference, since this was best considered in the context of the economy of Northern Ireland as a whole.

The group on the aircraft industry would consider the form of legislation needed; the role of the NEB; the corporate structure of the new body; the firms to be nationalised; the reserve powers needed to safeguard military aircraft and guided weapon capability; and the likely future size and shape of the industry. Short Brothers and Harland would be excluded from the review. The principles and timing of compensation for both shipbuilding and aircraft nationalisation would be separately considered by the Department of Industry and the Treasury.

In discussion, it was pointed out that if guided weapons were included with the aircraft industry the Government might be faced with awkward choices over authorising the supply of arms to foreign countries. A distinction could be drawn between licensing private firms to sell arms, including guided weapons, and direct Government participation through a nationalised body. On the other hand, it was argued that the Government already played a significant part in arms sales; engines and airframes for military purposes were sold to foreign Governments by Rolls-Royce and Short Brothers and Harland, in which the Government directly held shares. It was unlikely that nationalisation in itself would call for any review of the policy for arms sales to overseas countries.

In further discussion, it was pointed out that the present proposals envisaged separate Bills for the nationalisation of the shipbuilding industry and the aircraft industry; and a new Industry Bill. Whether a place could be found for all three in the legislative programme for the next Session required further consideration, and no commitment to this could be given.
THE PRIME MINISTER, summing up a brief discussion, said that the Secretary of State for Industry should arrange for the group on the aircraft industry to consider whether it was practicable and desirable to differentiate guided weapons from aircraft, in view of the points made in discussion. This aspect should then be discussed further in the Ministerial Committee on Industrial Development.

The Cabinet -

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

6. THE SECRETARY OF STATE FOR EMPLOYMENT said that several difficulties had arisen in applying the recommendations of the Pay Board report on London weighting. The Government should work out a consistent line for handling the various negotiations. It would be wrong for the Government to encourage an employer to pay more than the allowances recommended by the Pay Board, but it would be unwise to seek to impose any absolute veto as he had promised that there would be free negotiations. The Government should let the negotiations continue and see what conclusion they reached. Meanwhile they should not attempt to dictate the outcome, although they might say in general terms that they would wish the negotiators to remain within the total sums recommended by the Pay Board.

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the Ministerial Committee on Economic Policy had agreed that the Ministers responsible for particular groups should seek to ensure that offers on London weighting were consistent with the principles and did not exceed the totals set out in the Pay Board report. He had acted on that decision. Although the Teachers' Remuneration Act gave him the right of veto he had avoided any suggestion of a veto in this case. He had persuaded the employers to remain within the Pay Board total at the Burnham Committees, but the negotiations would probably break down. Though the inner London employers and those in the surrounding counties might agree to remain within the Pay Board limits, the outer London employers would wish to pay more. He would find it necessary to bring the matter back to the Cabinet if other groups broke through the limit or if the teachers were to decide to call an official strike to begin next term.
In discussion it was mentioned that there were also problems affecting the police and the local authorities. It was argued that although it was Government policy to try to ensure that the total in the Pay Board report was not exceeded, any suggestion of a Government veto would cause the Trades Union Congress to discuss that rather than the merits of the case for paying more or less to those who worked in London.

THE PRIME MINISTER said that there had not been time to reach any conclusion and that the question should be brought back to the next meeting of the Cabinet if there were any further developments.

The Cabinet -

Took note.

Cabinet Office

11 July 1974