INDEX
of
CABINET CONCLUSIONS
January–April 1976
(CC (76) 1st–14th Meetings)

Notes:
- References to minutes are shown thus—1 (I).
- References to memoranda are shown thus—C I.
- References in italics are to memoranda not discussed by Cabinet.
INDEX
OF
CABINET CONCLUSIONS
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References to Memoranda are shown thus—C 1.
References in italics are to memoranda not discussed by Cabinet.

SECRET
## SUBJECT INDEX

(CC (76) 1st–14th Meetings)

### AGRICULTURE

- Common Agriculture Policy Prices 1976-77 C 29 9 (5).

### ANGOLA

- Policy of restricted contact with the Popular Movement for the Liberation of Angola and continued pressuring for the withdrawal of external forces 3 (2).
- Soviet message conveyed to South African Government designed to enable withdrawal of their forces from the Cuanza Dam 11 (2).
- Recommendations made to South Africans that they withdraw their troops; efforts to defer United Nations debate 12 (2).

### BILLS

See also Development Land Tax.

- Consultative document on Bill of Rights 12 (1).

### BUDGET

- The Budget 14

### CABINET

- Detailed Cabinet discussions leaked to Press 1 (1).
- Prime Minister's resignation statement 10 (1).
- Cabinet press statement following Prime Minister's resignation 10 (4).

### CASH LIMITS

- White Paper approved C 31, 11 (6).

### CIVIL AVIATION

- Future Civil Aviation Policy White Paper C 13

### CIVIL SERVICE

- Political activities—further consideration of proposals for independent committee of enquiry.
- Post-entry Union Shop—group of Ministers to be set up to consider issue C 9, C 10, 5 (5).
- Proposed Official and Staff Side Working Party to consider the "free rider" problem C 23, 11 (4).

### CONSPIRACY

- Possibility that Part I of Law Commission's proposals could be introduced in current Session C 23, 8 (4).
- Legislation to be introduced in next Session 10 (2).
CONTINGENCY RESERVE
See also Fuel Bills.

PUBLIC EXPENDITURE.
Second Progress Report; certain additional claims approved C 32, 11 (5).

CRIMINAL LAW REFORM
See Conspiracy.

CYPRUS
See Parliamentary Affairs.

DEFENCE
Defence Savings of £193 million agreed 1 (6).
Defence Estimates agreed; White Paper to be published C 22, 8 (3).

DEVELOPMENT LAND TAX
Initial rate 80 per cent: exemption raised to £10,000; merits of two band system to be considered C 4, C 5, 4 (6).
Compromise agreement reached; no roll over relief C 14, C 20, 6 (8).

ECONOMIC SITUATION
Fall in sterling exchange rate 9 (3).

EMPLOYMENT MEASURES
Further package of measures to relieve unemployment to be announced 5 (3).

EUROPEAN ECONOMIC COMMUNITY (EEC)
See also Fishing Industry.

ICELAND.
European Assembly: Direct elections
White Paper to be circulated C 2, 3 (1).
Proposals to be presented as a Green Paper C 2 Revise 5 (6).
Green Paper: debate postponed 8 (1).
No final decisions until Select Committee report has been considered C 44, 13.
Greek membership not to be considered in isolation; later applications from Turkey, Spain and Portugal 5 (2).
Common Agricultural Policy Prices; report on agreement reached with EEC; study to be undertaken and report to be made to Cabinet C 29, 9 (5).
British objectives in the European Community C 36.
Enlargement of the EEC C 37.
The Tindemans Report C 38.
Community Machinery for deciding farm prices C 41.

FALKLAND ISLANDS
Argentine Government's attitude hardening; long term interest of Islanders requires cooperation with Argentina; no discussions on economic co-operation by Argentina unless sovereignty of Islands was included 1 (3).
Research Ship, Shackleton fired upon by Argentine destroyers; no further consideration of sovereignty until Lord Shackleton presents his report 4 (2).
Military appreciation to be prepared 5 (2).
Foreign and Commonwealth Secretary's proposals approved; extension of Port Stanley airfield to be considered C 33, 11 (3).
FISHING INDUSTRY
Examination of long-term implications and extension of fishery limits; development of EEC's Common Fisheries Policy. Ministerial Group to be appointed 6(2).

FUEL BILLS
Measures to deal with the danger of disconnection of gas and electricity supplies to old people C11.5(4).
Bonus to meet rising fuel bills rejected; need for wider study to mitigate the impact of public sector price increases C17, C18.6(7).

GERMANY
Discussion with the Federal German Chancellor 5(2).

GREECE
See also European Economic Community (EEC).
Commission of the European Economic Community recommend affirmative reply to the Greek request for accession and opening of negotiations 4(2).

ICELAND
Immediate need for getting negotiations reopened; NATO Secretary General to mediate in dispute; collective action by the EEC might be advisable if mediation proves ineffective 1(3).
Negotiations with Icelandic Government; critical situation on fishing grounds 3(3).
Inevitable that Icelandic Government would soon break off diplomatic relations; need for Ministers to examine long term problems of our fishing industry 4(2).
Discussions with NATO Secretary General; pessimism about chances of settlement 5(2).
Icelandic Fisheries C12.

IMPORT CONTROLS
See Public Expenditure.

JUBILEE MEDALS
Silver Jubilee medals to be issued to Armed Forces; issuing of medals to civilian services to be reconsidered C39, 12(6).

LAW ON CONSPIRACY
See Conspiracy.

LEBANON
Possibility of intervention by Syrian forces; Soviet Union to use influence to caution moderation 12(2).

LEGAL PROFESSION
Establishment of Royal Commission 3(1).
MEMBERS OF PARLIAMENT

See PAY.

MINISTERIAL MEMOIRS

Radcliffe Report approved subject to any further observations by Ministers 1 (7).
Radcliffe Report to be published; recommendations to be accepted in full 2 (3).

MOZAMBIQUE

Aid to Mozambique as compensation for applying sanctions to Rhodesia 8 (2).
Mozambique Foreign Minister requests for interest free loan and technical assistance; United Nations resolution on aid for Mozambique adopted 11 (2).

NAMIBIA

Uranium supplies—British Nuclear Fuels to take up option with Rowing Ltd. 3 (4).

NATIONAL HEALTH SERVICE

Pay beds Private Practice proposals: Bill to be introduced; consultation with the British Medical Association 19 6 (6).
Pay on the control of the Private Sector; Lord Goodman still in consultation about what size of development should be exempt from control; outcome to be reported to Cabinet 40.12 (5).

NEWSPAPER INDUSTRY

Interim report by the Royal Commission; statement to be made when published 30, 10 (3).

NIGERIA

Request for General Gowon's extradition 12 (2).

NORTHERN IRELAND

White Paper on the Northern Ireland Convention to be issued; discussions with the United States Ambassador concerning the flow of arms from the United States 1 (4).
Northern Ireland Constitutional Convention fails to agree; no report to be issued 8 (4).

PARLIAMENTARY AFFAIRS

See also CONSPIRACY.

Concorde: proposed announcement on relaxed noise limits to be reviewed 1 (2).
Debate on unemployment 2 (1), 3 (1).
Retirement of speaker 2 (2).
Select Committees on Cyprus: question of re-appointment 3 (1).
Ministerial appearances before Select Committees 3 (1).
Direct Elections to the European Assembly; White Paper to be circulated 2, 3 (1).
Royal Commission on the Legal Profession to be established 5 (1).
White Papers—confidential final revisions; further consideration 6 (1).
Direct Elections to the European Assembly; debate on Green Paper postponed 3 (1).
Economic Policies: vote of Confidence. Press statement to be issued 9 (1).
Bill of Rights; consultation documents to be published 12 (1).
Government observations on the first report from the Select Committee on the Parliamentary Commission for administration, Session 1974-75 C 42.

PARLIAMENTARY PROCEDURE

Debate to review the practice and procedure of Parliament 1 C 1, 1 (5).
Select Committee to be appointed 15. 6 (4).
PAY
London Supplement for Ministers and Members of Parliament to be increased—Cabinet Ministers to forgo increase 3 (5).

PRESS
See NEWSPAPER INDUSTRY.

PRIME MINISTER
See Cabinet.

PUBLIC EXPENDITURE
See also CONTINGENCY RESERVE.
Fuel Bills.
White Paper to be published 6, 4 (3).
New measures involving public expenditure to be accommodated within Departmental totals; but changes in Contingency Reserve to be controlled 4 (4).
1976 Survey guidelines to be agreed; paper on public expenditure priorities to be circulated; import controls to be discussed by Ministers C 25, C 27, 9 (4).
Expenditure survey to be based on priorities published in White Paper; further reviews in hand C 34, 12 (3).

RADCLIFFE REPORT
See Ministerial Memoirs.

RHODESIA
Mr. Nkomo asks to come to London; present outcome of his talks with Mr. Ian Smith 4 (2). Possibility of emissary being sent to Salisbury for negotiations between Mr. Smith and Mr. Nkomo 6 (3). Exploratory mission by Lord Greenhill; situation to be assessed in light of his report 7 (2). Lord Greenhill's Report; contingency plans for reception of possible refugees 8 (2). Proposals via Rhodesian businessmen not acceptable. Talks to be suggested between the Foreign and Commonwealth Secretary and President Nyerere 9 (2). President Kaunda's message to the Foreign and Commonwealth Secretary on prospects of a settlement; proposals awaited from other African Presidents 11 (2). Pressure to be maintained on Mr. Smith; no more offers to be made 12 (2).

SELECT COMMITTEES
See PARLIAMENTARY AFFAIRS.

SEYCHELLES

SHIPBUILDING INDUSTRY
Action to be taken to prevent liquidation of the shipbuilding industry; Ministers to make further report to Cabinet C 24, 10 (5).

SILVER JUBILEE
See JUBILEE MEDAL.

SOCIAL SECURITY
See FUEL BILLS.
SOVIET UNION

Anglo-Soviet political relations improve; Soviet commercial orders to be placed in the near future 12 (2).

SPAIN

See also EUROPEAN ECONOMIC COMMUNITY.

Senor Areilza to visit London 4 (2).

Discussions between the Foreign and Commonwealth Secretary and Senor Areilza 8 (2).

SPEAKER—SELECTION OF

See Parliament.

STUDENTS' FINANCE AND UNEMPLOYMENT

Students' unemployment figures to be published separately; interim scheme to operate disqualifying students from receiving unemployment or supplementary benefits C7, C8, 4 (5); C16, 6 (3).

New arrangements for the support of students during vacations; announcement to be made C16, 6 (5).

TINDEMANS REPORT

See EUROPEAN ECONOMIC COMMUNITY.

TRANSPORT

Transport policy: consultation document C43, C45.

UNEMPLOYMENT

Figures for students to be published separately; interim scheme to keep students out of unemployment offices; report to be made to Cabinet C7, C8, 4 (5); C16, 6 (3).

Measures to relieve unemployment 5 (3).

URANIUM SUPPLIES

British Nuclear Fuels Ltd., authorized to take up option under their present contract with Rossing Ltd. 3 (4).

WHITE PAPERS

Disquiet about confidential final revise being made available to the Press before MPs.

Further consideration by Prime Minister and Lord President 6 (1).
CONSIDERATION OF MEMORANDA AT MEETINGS.

MEMORANDA C (76) 1–45

CONCLUSIONS CC (76) 1ST–14TH

<table>
<thead>
<tr>
<th>Memorandum</th>
<th>Conclusions at which considered</th>
<th>Memorandum</th>
<th>Conclusions at which considered</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 (5)</td>
<td>23</td>
<td>8 (5)</td>
</tr>
<tr>
<td>2</td>
<td>3 (1)</td>
<td>24</td>
<td>10 (3)</td>
</tr>
<tr>
<td>2 Revise</td>
<td>5 (6)</td>
<td>25</td>
<td>9 (4)</td>
</tr>
<tr>
<td>3</td>
<td>3 (4)</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>4 (6)</td>
<td>27</td>
<td>9 (4)</td>
</tr>
<tr>
<td>5</td>
<td>4 (6)</td>
<td>28</td>
<td>11 (4)</td>
</tr>
<tr>
<td>6</td>
<td>4 (3)</td>
<td>29</td>
<td>9 (5)</td>
</tr>
<tr>
<td>7</td>
<td>4 (2)</td>
<td>30</td>
<td>10 (3)</td>
</tr>
<tr>
<td>8</td>
<td>4 (5)</td>
<td>31</td>
<td>11 (6)</td>
</tr>
<tr>
<td>9</td>
<td>5 (5)</td>
<td>32</td>
<td>11 (5)</td>
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<tr>
<td>10</td>
<td>5 (5)</td>
<td>33</td>
<td>11 (3)</td>
</tr>
<tr>
<td>11</td>
<td>5 (4)</td>
<td>34</td>
<td>12 (3)</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>35</td>
<td>12 (4)</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>6 (8)</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>5 (4)</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>6 (5)</td>
<td>39</td>
<td>12 (6)</td>
</tr>
<tr>
<td>17</td>
<td>6 (2)</td>
<td>40</td>
<td>12 (5)</td>
</tr>
<tr>
<td>18</td>
<td>6 (3)</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>6 (6)</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>6 (8)</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td></td>
<td>44</td>
<td>13</td>
</tr>
<tr>
<td>22</td>
<td>8 (2)</td>
<td>45</td>
<td></td>
</tr>
</tbody>
</table>

Cabinet Office.
June 1976.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street on THURSDAY 15 JANUARY 1976 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 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 Anthony Wedgwood Benn MP
Secretary of State for Energy

The Rt Hon Eric Varley 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 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 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 Rt Hon Reginald Prentice MP  
Minister for Overseas Development

The Rt Hon Fred Mulley MP  
Secretary of State for Education and Science

The Rt Hon Robert Mellish MP  
Parliamentary Secretary, Treasury

The Rt Hon John Silkin MP  
Minister for Planning and Local Government

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Samuel Silkin QC MP  
Attorney General (Item 7)

The Rt Hon Joel Barnett MP  
Chief Secretary, Treasury (Item 6)

SECRETARIAT

Sir John Hunt
Mr G R Denman (Item 3)
Mr F Benner (Items 1, 2, 5 and 7)
Mr T F Branchley (Items 3, 4 and 6)
Mr E J G Smith (Items 1-3)
Mr A D Gordon-Brown (Item 5)

CONTENTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CABINET PROCEDURE</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>PARLIAMENTARY AFFAIRS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Concorde: Noise Limits</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>FOREIGN AFFAIRS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Falkland Islands</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Iceland</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>NORTHERN IRELAND</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>REVIEW OF PARLIAMENTARY PROCEDURE</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>DEFENCE EXPENDITURE</td>
<td>9</td>
</tr>
<tr>
<td>7</td>
<td>REPORT OF THE RADCLIFFE COMMITTEE</td>
<td>13</td>
</tr>
</tbody>
</table>

SECRET
1. THE PRIME MINISTER said that the record of the present Government in relation to leaks had earlier been good, but in the weeks immediately preceding Christmas there had been numerous and detailed Press reports about discussions in Cabinet and in Cabinet committees, including disclosure of the positions adopted by individual Ministers. This was the first meeting of the Cabinet since Christmas; but in the intervening period there had been similar reports of an informal meeting of Ministers which he had chaired. Some of the leaks appeared beyond doubt to have been specific and deliberate. One result had been to render much more difficult the Parliamentary position of the Prime Minister himself, particularly when answering Questions, and of the Ministers responsible for handling specific items of business. Even more serious was the general harm which had been done to the Government's standing in the country by the creation of a misleading impression that there were serious and acrimonious differences between colleagues - an impression which had distracted attention from the very real divisions of opinion which currently existed within the Conservative Party. In the present difficult Parliamentary situation these leaks, if continued, could have very grave consequences for the Government. All Ministers should therefore exercise the greatest self-restraint in talking to the Press and should take care to avoid any further leaks of this kind.

The Cabinet -

Took note, with approval, 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. It was noted that the Speaker intended, at the end of the debate on Devolution on 19 January, to call two of the amendments on the Order Paper - those put down by the Conservative Party and by the Scottish and Welsh Nationalists - rather than one as was usual, and that the procedural Motion which was needed to enable this to be done had accordingly been tabled.

It was reported that an announcement was to be made that afternoon in the House of Commons by the Secretary of State for Trade indicating that Concorde was to be exempted for an indefinite period from the normal requirements as to noise limits for aircraft at Heathrow. Exemption was essential if Concorde was to operate from London Airport legally; if the normal limits were not lifted...
any interested individual or organisation would be able to go to the courts for an injunction. The announcement might however give rise to considerable public outcry - the Noise Advisory Council would be particularly disturbed - and appreciable damage might be done to the Government's otherwise good standing on the general question of environmental pollution. The aspect of the proposed announcement which would cause most concern was that the noise limits were to be removed without any limit of time. The matter was arguably of sufficient importance to have called for a collective decision following discussion by the Cabinet, or at least by a Cabinet committee. The original proposal, about which there had been an exchange of correspondence between Ministers, had been to give exemption initially for a limited period of three or twelve months; the decision to give permanent exemption had been taken only on the previous day, following urgent representations from our Embassies in Washington and Paris, and without some of the Ministers with relevant responsibilities being consulted or informed in advance.

THE PRIME MINISTER, summing up the discussion, said that while the urgency of the matter was clear, there appeared to have been inadequate advance inter-Ministerial consultation on a subject which was of considerable practical and presentational importance. The Secretaries of State for the Environment, Industry and Trade should accordingly meet very urgently, under the chairmanship of the Foreign and Commonwealth Secretary, in order to review the terms of the proposed announcement about the relaxation of noise limits in relation to Concorde.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Ministers concerned to proceed accordingly.
3. THE FOREIGN AND COMMONWEALTH SECRETARY said that, as in the past, the attitude of the Argentine Government on the Falkland Islands issue was hardening as their economic situation deteriorated. He had been trying to induce them to discuss economic co-operation for which there were considerable opportunities especially over fishing and oil exploration. Simultaneously he had been trying to convince the Islanders, with some degree of success, that their long-term interest required co-operation with Argentina. But however reasonable our position the fact remained that Argentina would have the support of the whole of South America, and a majority in the United Nations in the event of a show-down. The pretext for the Argentine Government's present hostility to us was the Economic Mission to the Falkland Islands led by Lord Shackleton. He had gone a very long way in offering to associate the Argentine Government with the Mission and had offered to make its findings available to them. But they had flatly refused to discuss economic co-operation unless he would also discuss sovereignty over the Islands. For this he had no mandate from the Cabinet, Parliament or the Islanders. The first need was to get Lord Shackleton back to the United Kingdom. It was difficult to predict how the situation would then develop: but the Falkland Islands were defended only by HMS Endurance and 37 Royal Marines and HMS Endurance would need to remain on station for the time being.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the dispute over fishing limits with Iceland had been discussed by the Defence and Oversea Policy (OPD) Committee on the previous day. The time factor was now working against us. It was true that under naval protection our trawlers were catching twice as much fish as the Icelanders had offered us, but the situation would change in the course of 1976 when additional countries would claim a 200 mile fishing limit and we might wish to do so ourselves. The Secretary General of the North Atlantic Treaty Organisation, Dr Luns, had taken it upon himself to mediate in the dispute. We had publicly welcomed his initiative, but had privately warned him that it would not be enough for him to secure a reinstatement by the Icelandic Government of their earlier offer of a 65,000 tons catch. We had said that we were prepared to reduce our catch to well below 100,000 tons to achieve a settlement, but the Icelandic Government must also move on their figure. If Dr Luns' mediation proved ineffective it might be advisable to seek collective action by the European Economic Community to resolve the dispute; indeed the Community was already involved because of Protocol 6. The immediate need was to find a way of getting genuine negotiations re-opened, but the OPD Committee would be resuming its consideration of the negotiating position we should now adopt.
The Cabinet -

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

4. THE SECRETARY OF STATE FOR NORTHERN IRELAND said that he proposed to issue the text of his letter to the Chairman of the Constitutional Convention, which had been agreed with the Ministers concerned, as a White Paper. The text followed closely the lines of his speech to the House of Commons on 12 January. Although it was normal practice for Cabinet to consider White Papers paragraph by paragraph, he hoped that the process could be waived in these circumstances. There was some chance of progress in the Convention over the next six weeks but he could not rate that chance highly. He had had useful discussions with the outgoing United States Ambassador, Mr Richardson, who was ready to help us to secure a better understanding of the Northern Ireland situation in his country; this might help towards diminishing the flow of arms from the United States to Northern Ireland.

The Cabinet -

Took note of the statement by the Secretary of State for Northern Ireland and approved the issue of the White Paper on the Northern Ireland Convention.
The Cabinet had before them a memorandum by the Lord President of the Council (C(76) 1) containing proposals for a review of the practice and procedure of Parliament.

THE LORD PRESIDENT OF THE COUNCIL said that his proposals were put forward against a background of increasing dissatisfaction with the way in which Parliament operated. Members were driven very hard, long hours were worked, and recesses were short, allowing Members insufficient time with their families. There was great pressure on Parliamentary time; debates on European Economic Community (EEC) matters were now taking up considerable time; it was difficult to fit in general debates; and, despite all efforts, the present Session was now becoming overloaded. New and able younger Members were frustrated by what they saw as the absence of a sufficiently constructive role. Unless radical changes were made there was a danger of Parliament falling into increasing disrepute. He accordingly proposed that there should be an early one-day debate, on a Motion for the Adjournment, which would provide an opportunity for the House to express its views on the subject as a whole, without any commitment being undertaken by the Government. In the light of that debate, he would formulate firm proposals and bring them before colleagues. He did not think that the review could or should be prevented from considering sensitive areas, such as relations between Parliament and Government and the possibility of a pre-legislative role for backbenchers; no review could be described as radical which excluded such matters. But he would make clear in debate that any Government must be able to govern and to get their business through. He proposed to float the idea that there might be a minority of outsiders on the Committee, for which the Compton, Renton and Mikardo Committees provided recent precedents. If the House of Lords set up a similar Committee, there might be some points of common interest which could be discussed jointly. The review would take some time, but the Committee might submit interim reports with specific proposals for improvements. He saw his proposals as one of a number of recent moves to improve democracy in this country, which included the Houghton Committee, the devolution proposals, the referendum and the machinery for Parliamentary scrutiny of EEC proposals.

In discussion general support was expressed for the proposal that there should be a review of Parliamentary procedure. It was nevertheless suggested that in fact Parliament worked well - Mr Elliott Richardson, the retiring United States Ambassador, for example, had been impressed by the working of the House of Commons and its relations with the Government, which in his view contrasted favourably with the position in the United States - and radical changes might not be necessary. Moreover, the history
of past attempts at improving procedures would justify some scepticism about the likely outcome of a further review. The general view was however that in recent years Parliament had functioned with decreasing efficacy, as pressures of all kinds had increased, and the time was ripe for a major review of the kind proposed by the Lord President of the Council. Government decisions had become more centralised, but consultation and consent were more and more necessary to make the decisions work; Parliament formed an essential link in the system, and the way in which it functioned affected the whole operation of government in the United Kingdom. Some doubts were expressed whether a Parliamentary debate should be arranged until Ministers had been able to reach a considered view as to the membership and terms of reference of the proposed Committee. On the other hand, it was pointed out that there could be a very open debate, which would be welcomed by backbenchers, in which the Government need enter into no commitments. In this debate the Lord President could make clear that he was expressing a personal view in his capacity as Leader of the House.

In discussion of the way in which the review should be conducted, it was emphasised that the membership of the proposed Committee would have to be chosen with great care, with a proper balance of older and younger members; it might be for consideration whether there should be Ministerial members. On the one hand there was support for the proposal that some members should be chosen from outside Parliament, and the point was made that the review should take account of how Parliament appeared to the outside world. On the other hand it was suggested that outside members were likely to be theorists, whereas the need was for a Committee of MPs experienced in the practical workings and the psychology of the House. The idea of bringing in outsiders was likely to be criticised in the House, and it might be preferable to go no further than provide an opportunity for outsiders to express views to the Committee. It would be important to consult the other Parties before the debate, since no reforms of procedure, however useful, would work unless they were accepted by the Opposition. A meeting of the Parliamentary Labour Party might also be desirable. Arrangements for giving Government evidence to the Committee would need consideration later, as would the content of any evidence. Discussion by a group of Ministers might be useful before concrete proposals for the review were put to the Cabinet.

In further discussion, the following aspects of Parliamentary procedure were mentioned as being in particular need of review:
CONFIDENTIAL

a. Hours of work and recesses - in particular, detailed and open-ended Report Stages of Bills after 10 pm, often repeating debates in Committee, and recesses which prevented younger Members with families, especially Scottish Members, from enjoying proper holidays with their families.

b. The legislative process and the pressure of the legislative programme, including the possibility of automatic timetables for all Bills - which might usefully form the subject of an interim report.

c. The division of business between the floor of the House and Committees, and the growing Committee structure and the development of the work of Select Committees, with the resultant pressure on the time of MPs and devaluation of debate on the floor.

d. The impact of the arrangement of Parliamentary business on the operation of the Government, and in particular on the timetables of Ministers who had also to attend Ministerial meetings and deal with the business of their Departments.

e. The size of the House, one of the largest legislatures in the world, which might be one cause of frustration among backbenchers.

f. The fact, which was causing growing anger, that only 2 1/2 per cent of MPs, compared with 51 per cent of the population, were women, so that the House was in this respect totally unrepresentative and failed to take account of women's problems.

It was also pointed out that some kinds of new arrangements, eg pre-legislation Committees, might cause substantial additional work for Ministers and officials.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that a debate should now be arranged as proposed by the Lord President. In that debate, the latter should make clear that he was speaking in his capacity as Leader of the House, and thus be free to put forward personal ideas without committing the Government; but he would of course have regard to the Government's interests and the need to get the Government's business through. Any members of the Cabinet with ideas which they thought the Lord President might canvass in the debate should make them known to him. After the debate specific proposals for
the conduct of the review should be brought back for consideration by the Cabinet, perhaps after prior examination by a Ministerial group or committee. If the House of Lords decided to set up a similar Committee, its work would have to be co-ordinated with that of the House of Commons Committee. In handling House of Lords aspects of the review, care should be taken to avoid giving any impression that the existing composition and powers of the Lords should be regarded as permanent.

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 be guided accordingly.
6. THE DEFENCE SECRETARY said that he had been asked to examine the practicability and consequences of reducing the defence budget in 1978-79 by £175 million more than the £100 million he had earlier offered, without impairing the Critical Level of our contribution to the North Atlantic Treaty Organisation (NATO) or defaulting on our obligations under the Brussels Treaty. These savings would of course be additional to the savings agreed in the 1974 Defence Review and the further cut of £136 million for 1976-77 announced in the previous year. Accordingly he had carried out a major re-examination item by item of the whole of our defence support expenditure. His conclusion was that with great difficulty he could achieve savings of £175 million in all. This assumed £50 million in German offset payments and took account of £83 million from the increased defence contribution agreed with the Hong Kong Government. In addition to the 68,000 jobs to be cut by 1979 under the Defence Review, his present proposals would involve a reduction of a further 18,000 jobs, making 86,000 in all. These reductions would inevitably result in intense feelings of annoyance and frustration among Ministry of Defence staffs, coming as they did on top of proposals for dispersal to Scotland and elsewhere which were highly unpopular. Furthermore since the Defence Review the Ministry of Defence had met extra commitments in Belize and Iceland and might soon have to do so in the Falkland Islands; we had been unable to withdraw from Cyprus as he would have liked; and the Northern Ireland situation had worsened, the extra cost of £45 million being borne on the Defence Budget in contrast to the position before the Defence Review. His offer of £175 million further savings represented a detailed itemisation of what would be involved even though there was no military justification for any further cuts. To go beyond this would not only involve much greater industrial and employment consequences but would very considerably increase the problem with our NATO allies.

THE CHANCELLOR OF THE EXCHEQUER said that he deeply resented the series of newspaper leaks which had been damaging to the Government and to the Party. He considered it untenable that the United Kingdom should spend much more of its Gross National Product (GNP) on defence than most of her allies. This called for a re-examination of the Critical Level of our contribution to NATO; but he accepted that this could not be done in the time available. A decision had therefore to be taken on the basis of our existing defence role. On that basis he accepted that the Defence Secretary could not find the £400 million he had originally sought and that it might even be impossible to get all of the £275 million savings suggested in the previous Cabinet discussion. The Defence Secretary had however never sought to argue that there was a narrowly definable point at which marginal savings in
defence expenditure produced military and political effects of a quite disproportionate order. The figure for Defence savings had to be seen in the context of the global reduction in public expenditure which the Cabinet had sought. If the Defence Secretary had found £275 million and if all other Departments accepted the Treasury case on the number of small items still outstanding, the total saving achieved would have been £3,582 million, which was still less than the £3,750 million for which he had asked. He could not however be sure of achieving agreement on all the outstanding small items. Presentationally it was essential to show global reductions of at least £3,500 million, or £3,000 million if it was decided not to show for the present the agreed savings resulting from the change in the social security uprating arrangements. Arithmetically, this meant a £193 million contribution from defence savings but that gave no latitude for shortfalls elsewhere and was in any case an unduly precise figure. He must therefore press for a Defence saving of at least £200 million and he personally thought that a saving of £225 million was possible. In addition he must make two provisos. The first was that the level of defence expenditure in 1978-79 must be continued unchanged into 1979-80 and that 1977-78 figures should be achieved mid-way between the 1976-77 and 1978-79 figures. The second was that if it proved impossible to get as much as £50 million in offset payments from the Federal Republic of Germany, compensating savings must be found from within the Defence Budget. Agreement on the latter point was not only essential financially, but would increase the strength of our bargaining position in the offset talks with the German Government.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the public expenditure savings already achieved were most satisfactory and that he would prefer not to make any reduction in defence expenditure. To do so within the limits proposed by the Defence Secretary might not make a significant actual difference to our contribution to NATO, but the fact that further cuts were being made could lead to a different perception by our allies, in particular the Americans and the Germans, of our defence contribution. We were taking our decision at a time when Soviet strength was growing and when we were perhaps seeing a Soviet movement to a new strategy, with less reliance on nuclear strength and more on conventional arms. It was not so much that further cuts would cause us to be judged an unreliable ally as that they might lead to a different perception of our contribution. Nevertheless he recognised that, despite his personal preference, there would have to be a defence contribution to the public expenditure savings, but attached importance to the figure chosen being under £200 million since exceeding this figure could have a disproportionate symbolic effect upon our allies.
THE CHIEF SECRETARY, TREASURY, said that a defence saving as low as £200 million would be seen as a hopelessly inadequate contribution to an overall reduction of £3,500 million in public expenditure. The savings on equipment proposed by the Defence Secretary were derisory, amounting to only £4 million for the Army and £7 million for the Royal Air Force. The figure of 18,000 jobs used by the Defence Secretary was misleading. In fact only 10,000 jobs would be lost; the other 8,000 were jobs which would have become available if equipment were ordered. A reduction of 10,000 jobs meant a cut of under 4 per cent and the financial effects of this cut were included in the savings proposed by the Defence Secretary, whereas other Departments were being required to cut staff by 8 per cent on top of their expenditure cuts already agreed. Given the likelihood of some shortfalls on savings by other Departments not yet settled, he argued for a defence saving of at least £225 million followed by a further Defence Review at a later stage.

In discussion it was argued that the savings offered by the Defence Secretary would fall far short of the Party's expectations particularly in the light of the cuts being made in the Social Services. We had been overstretched in defence expenditure over the last two decades and this was largely responsible for our disappointing economic performance. It would thus be unreasonable for our allies to criticise us if we made further significant reductions. Our standing in the world would depend more on the economic transformation that was required than on a specific level of contribution to NATO.

On the other hand it was argued that the consequences of defence cuts for employment must be kept in mind. Even the savings identified as acceptable by the Defence Secretary would mean a loss of some 3,200 industrial jobs. To go further would cause very severe problems in particular industries, especially shipbuilding and electronics, the effect of which would be felt quickly. Many of the jobs lost would be in politically sensitive areas with poor chances for redeployment. In considering the Party's reaction it had also to be remembered that at the time of the 1974 Manifestoes the Party had been more optimistic about the situation in Northern Ireland than had turned out to be justified; this alone put considerable extra costs on the defence budget. In absolute terms our defence expenditure was below that of France and Germany and we were in danger of ceasing to be even a second class NATO power. If Germany became the single biggest European contributor to the Alliance this could upset the political balance in Central Europe and reawaken Soviet suspicions of German resurgence.
THE PRIME MINISTER, summing up the discussion, said that the preponderant view was that defence savings should be kept below £200 million. On the other hand there was a measure of support for the argument that £175 million were insufficient. The Defence Secretary should therefore find savings of £193 million. Careful thought would be required in the next month on how this decision should be presented, both domestically and internationally.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.
The Cabinet had before them the Report of the Committee of Privy Counsellors (the Radcliffe Committee) on Ministerial Memoirs.

THE PRIME MINISTER said that the Report of the Radcliffe Committee dealt with two main aspects - the conventions which should govern the publication of memoirs by ex-Ministers and the arrangements for securing their observance. On the first topic, the Committee's recommendations were largely concerned with formalising and making more precise the conventions which had been developed and applied by successive Secretaries of the Cabinet. Their most significant new proposal was that it should be overtly recognised that in relation to confidential relationships between Ministers and between Ministers and officials there should be a watershed - 15 years after the events in question. Up to that time information affecting the views of other people should be regarded as confidential and onus of proof for any disclosure should rest on the writer. Subsequently the onus of proof would be reversed. On enforcement, the Committee proposed that observance of the conventions should be left to the writer as a matter of honour, and specifically found against new legislation creating a series of criminal offences. Particular problems would arise in this area over the publication of memoirs and diaries after the author's death. The Report had been considered by a representative group of senior Ministers under his chairmanship. Their view had been that, bearing in mind that the Report was a thorough and carefully considered document prepared by an unusually strong committee with senior representatives from both the main political Parties, the right course would be to accept its recommendations in full and without amendment. On that basis he proposed that the Report should be published in the early part of the following week and that he should make a simultaneous announcement indicating the Government's acceptance of the recommendations. Ministers would subsequently need to consider a number of subsidiary issues, particularly in relation to machinery - for example, whether it would be useful, in dealing with manuscripts which had been submitted to the Secretary of the Cabinet, for the Prime Minister to be advised by a group of Privy Counsellors.

In discussion it was argued that, while at a rapid reading the Report seemed acceptable, several Ministers had not had time to study it as fully as it deserved. There also appeared to be several wider issues which were not dealt with in the Report but ought to be considered - for example, the right point for striking a balance between the need to preserve confidentiality in the interests of good government and the need to make information available in the interests of an informed public opinion; and the relative importance...
of the convenience of Ministers on the one hand and the need for open government on the other. On the other hand it was pointed out that the Report dealt with the publication of accounts of events which had happened within a confidential relationship in the past, and that the question of open government in the future was specifically referred to in paragraph 101.

THE PRIME MINISTER, summing up the discussion, said that it was important to publish the Report without delay. The majority of the Cabinet seemed disposed to endorse the view of the Ministerial Group that its recommendations should be accepted. Nevertheless he wished all his colleagues to have adequate time to consider it. If any member of the Cabinet then wished to let him have further observations, he should do so urgently by minute. If it appeared that further discussion by the Cabinet was necessary he would arrange this on the following Tuesday; but if there was general agreement with the view of the Ministerial Group he would arrange for early publication, with a simultaneous announcement of the Government's decision to accept the Report.

The Cabinet -

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

Cabinet Office
15 January 1976
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
WEDNESDAY 21 JANUARY 1976
at 10.30 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
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 Anthony Wedgwood Benn MP
Secretary of State for Energy

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

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
Privy Seal

The Rt Hon Reginald Prentice MP
Minister for Overseas Development

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 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 Fred Mulley MP
Secretary of State for Education and Science

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

The Rt Hon John Silkin MP
Minister for Planning and Local Government

SECRET
SECRET

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Samuel Silkin QC MP
Attorney General (Items 3 and 4)

The Rt Hon Roy Hattersley MP
Minister of State for Foreign and
Commonwealth Affairs

SECRETARIAT

Sir John Hunt
Mr P Benner
Mr A D Gordon-Brown (Item 4)

CONTENTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PARLIAMENTARY AFFAIRS</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>SELECTION OF A SPEAKER</td>
<td>1</td>
</tr>
<tr>
<td>3.</td>
<td>REPORT OF THE RADCLIFFE COMMITTEE</td>
<td>2</td>
</tr>
<tr>
<td>4.</td>
<td>SELECT COMMITTEES</td>
<td>5</td>
</tr>
</tbody>
</table>

Ministerial Witnesses
The Cabinet were informed of the business to be taken in the House of Commons during the following week. It was noted that it was virtually inevitable that there should be a debate on employment, at the initiative of either the Government or the Opposition. The balance of advantage seemed clearly to favour an initiative by the Government, who would then be able to determine the form of the Motion before the House. In his discussions with the Opposition about next week's business, the Lord President of the Council should therefore indicate that the Government intended to provide time for a debate on employment.

The Cabinet considered points relating to the appointment of a successor to the present Speaker, whose retirement on 3 February had recently been announced.

THE PRIME MINISTER, summing up a brief discussion, said that there appeared to be broad agreement amongst Labour Party supporters that Mr George Thomas would be an eminently suitable successor to the present Speaker; and this view seemed to be shared by the Opposition Front Bench. Experience at the time of the election of the present Speaker in 1971 had however shown the importance of ensuring that backbench opinion throughout the House of Commons had been thoroughly canvassed. A meeting of the Parliamentary Labour Party had been arranged for the following week in order to consider the matter; and it was desirable that Mr Thomas' candidature should then appear as originating from within Party supporters generally, rather than as coming from the Government. There should also be full consultations with the Opposition, in the course of which stress should be laid on the importance of backbench opinion on their side of the House being fully canvassed also. The Cabinet noted that in the event of Mr Thomas succeeding to the Chair the Conservative Party had in mind that Mr Oscar Murton should succeed him as Chairman of Ways and Means. They had accepted that the third Deputy Speaker should be found from amongst Conservative Party supporters.

The Cabinet -

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

THE PRIME MINISTER recalled that the Radcliffe Report dealt very effectively with the precedents and with the historical and philosophical background. It then went on to discuss two main topics - the conventions which should govern the publication of memoirs by ex-Ministers and the arrangements for securing their observance. On the first a Minister should be able to give an account of his stewardship, provided he did so in terms which were not damaging. The main new proposal was that it should be overtly recognised that in relation to confidential relationships between Ministers and between Ministers and officials there should be a watershed 15 years after the events in question. Before that the onus of proof for any disclosure of information about the views of other people should rest on the writer, whereas afterwards the reverse would be the case. In relation to advice by officials, the period of protection would extend to the official's retirement if that were later. In relation to enforcement, the Committee left observance of the conventions to the writer as a matter of honour and recommended against new legislation creating a series of criminal offences. In relation to national security and foreign relations, authors should regard as final the decision of the current Prime Minister as to what would be damaging. On confidential relationships, they should consider very seriously any views put to them by the Secretary of the Cabinet or the Prime Minister; but in the last resort responsibility for the decision whether or not to publish should rest on the author's shoulders - though he would of course have to take his chance in the exceptional case with the existing sanctions of the criminal and common law. A particular problem arose in relation to the publication of the memoirs or diaries of a deceased ex-Minister. The Radcliffe Report recommended that suitable testamentary dispositions should be made; and this was particularly important in relation to diaries, which if published could be extremely wounding to colleagues or former colleagues. The Radcliffe Committee had not recommended the establishment of a standing committee of Privy Counsellors. An argument for this would be that it might spare the Prime Minister some embarrassment; but in his own view the Radcliffe Committee were right in not recommending its use as a matter of course. This would not however prevent the Prime Minister from occasionally seeking advice from such a panel in individual cases.

The Report had been considered by a group of senior Ministers under his own chairmanship and their conclusion had been that it should be accepted at once as it stood. There were a few points which some might have preferred to have seen put differently; but the Report followed a thorough examination of the subject by an unusually powerful Committee and formed a carefully balanced whole. He
considered therefore that the right course would be for it to be published on the following day and for him to make a simultaneous announcement of the Government’s decision to accept it. The Ministerial group had considered the alternative of publishing but allowing a period of public debate before the Government announced its decision. Such debate was however unlikely to be helpful and would in the main be conducted by vested interests, particularly the media. Furthermore if the Government decision were not announced on publication it would look as though the Government were irresolute on the issue of collective responsibility.

In discussion, there was general agreement on the importance of creating conditions which favoured full and frank discussion between colleagues in the knowledge that they could change their minds in private. In favour of publishing the Report and allowing time for public debate before reaching a decision it was argued both that it was inappropriate for the Cabinet to be devoting time now to an issue of minor importance compared with the economic situation and also that there were several matters on which the Report was unsatisfactory and where further thought was needed. It did not, for example, deal with the fact that since the Second World War a good deal more latitude seemed to have been allowed to Conservative than to Labour Prime Ministers in writing their memoirs. Moreover, it was not clear what would be the application of the present criminal law if the Radcliffe Report were accepted. During discussions about Volume I of the Crossman diaries there had been suggestions that the Official Secrets Act might be invoked. Clarification was needed of whether it would continue to apply and if so in what circumstances; and also of the likely consequences of any decision to accept the recommendations by the Franks Committee for the replacement of the Official Secrets Acts by a more liberal Official Information Act. The recurring leakages about current inter-Ministerial discussions were much more damaging than anything which might appear in memoirs, and it would be hypocritical to deal with the latter without tackling the former. Moreover the kind of comments on colleagues which had appeared in the Crossman diaries would in practice be widely discounted; in any case, memoirs and diaries could easily contain malicious, and therefore potentially damaging, material without revealing any confidential information to which the conventions recommended in the Radcliffe Report would apply. The proposed 15-year period was too long; indeed it was doubtful whether any specific period could sensibly be determined and the right course might be to leave the matter entirely to the author’s judgment. And while it might be right in principle to preserve the confidentiality of advice given by civil servants, it must be remembered that civil servants were increasingly, in television and Press interviews, revealing information about Government decisions and the methods of conducting Government business. Finally although it was true that in any public debate the media as a whole might be hostile to the Radcliffe Report, it would be wrong to assume that the contrary view would not be effectively presented.
Against this it was argued that the Radcliffe Committee had been precluded by their terms of reference from dealing with some of these wider issues. The current leakages of information were serious and damaging; but this was not a reason for failing to take practical measures to see that the appearance of confidential information in memoirs was inhibited. The position under the Official Secrets Acts was quite clear. They applied to Ministers as to everyone else, and the same would be true of any replacement legislation. This position seemed entirely reasonable and there was no case for seeking to give Ministers any kind of exemption from the legislation. In general the Report was a weighty and carefully considered document which would command confidence. It could be criticised in detail but as a whole its recommendations were reasonable and should be accepted. Particular importance attached to paragraph 80, which established that while an author should give careful consideration to any views expressed to him by the Prime Minister or the Secretary of the Cabinet he should in the last resort take upon his own shoulders the responsibility for what he decided to say in the field of confidential relationships. A further merit of the Report was that it ended the present convention that more latitude should be allowed to memorialists dealing with wartime than with peacetime events.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed by a large majority that the Radcliffe Report should be published on the following day and that he should make a simultaneous announcement that the Government accepted its recommendations in full.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.
The Cabinet discussed the question of Ministerial appearances before Select Committees, which had been raised by the request by the Trade and Industry Sub-Committee (TISC) of the Expenditure Committee that the Chancellor of the Duchy of Lancaster should give oral evidence about the Chrysler affair.

THE PRIME MINISTER said that a dangerous situation might be created by any departure from the established convention that only a Minister with responsibilities relevant to the subject under enquiry should give evidence to a Select Committee or answer a Parliamentary Question. It was right that those Ministers whose Departmental responsibilities were directly affected should be available to give evidence; and the same principle applied to non-Departmental Ministers with specific responsibilities which had been publicly announced - for instance, the Chancellor of the Duchy of Lancaster answered Parliamentary Questions related to North Sea oil negotiations. But it would be another matter altogether for Departmental or non-Departmental Ministers with responsibilities far removed from the subject of an enquiry to give evidence. Such a development might lead to the Opposition, and even some Government backbenchers, seeking to divide the Cabinet by probing into the processes of collective decision-taking, which could cause even greater damage than Ministerial leaks. The record of Ministers of the present Government in giving evidence to Select Committees was remarkably good, and he wished to maintain the present rules on who should give evidence. But it might be worth considering whether it would be tactically useful to refer the issue to a Select Committee on Procedure, so that the case for the existing arrangements could be stated and rules formulated which would command the widest acceptance.

In discussion there was general agreement that it was essential to maintain the position that evidence should be given only by Ministers with direct responsibility for the subject under enquiry, whose evidence should be in accordance with the collectively agreed Government position. This was consistent with the Table Office rules in relation to allowing Parliamentary Questions. Even under present arrangements Select Committees were tempted to seek rifts in the Government ranks, or contradictions in the evidence of different Ministers in cases where more than one Minister had some Departmental responsibility. One Select Committee had recently suggested that two Ministers from the same Department might give evidence on the same subject - evidently in the hope of finding differences of view - and such requests ought to be resisted. There was some danger of Chairman of Select Committees seeing themselves as comparable to the Chairmen of the powerful Senate and Congressional Committees in the United States and, while this could not be wholly avoided, it should certainly not be encouraged. It was, however, argued that it would be better not to refer this issue to a Select Committee on

CONFIDENTIAL
Procedure, because of the risk that the Committee would make some embarrassing recommendations for relaxation of the existing rules. Those rules were well understood: it was clear that the Prime Minister was the final arbiter on the question of Ministerial responsibility, and that there was no power in a Select Committee to enforce attendance, but only in the House.

In further discussion it was suggested that acceptance of the general rule should not necessarily imply rigid adherence to it in all circumstances. In the case of Chrysler there had been inaccurate Press stories suggesting, in particular, that the Chancellor of the Duchy of Lancaster had negotiated with Chrysler behind the back of the Secretary of State for Industry. It might be desirable to make an exception in this case to enable the Chancellor of the Duchy of Lancaster to rebut these stories in giving evidence to TISC. As against this, it was pointed out that the Press frequently printed stories, based upon information which they should not have been given or which was inaccurate, which were damaging to the Government. A number of members of the Cabinet had been attacked in the Press for their supposed part in the Chrysler affair, and Press attacks of such a kind were by no means uncommon. The only safe position for the Government, accordingly, was to adhere firmly to the established doctrine of Ministerial responsibility.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet were agreed on the necessity of maintaining firmly in all cases, including the present one, the position that only Ministers with direct responsibility for the subject under enquiry should give evidence to Select Committees. It was the general view that it would be better not to refer this issue to a Select Committee on Procedure. Mr Duffy, the Chairman of TISC, had taken a helpful attitude in discussion with the Chief Whip, and it was doubtful whether the Opposition would wish to press the matter.

The Cabinet -

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

Cabinet Office

21 January 1976
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 29 JANUARY 1976
at 11.30 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

Hon Edward Short MP
President of the Council

Hon Lord Elwyn-Jones
Chancellor

Hon Denis Healey MP
Chancellor of the Exchequer

Hon Anthony Wedgwood Benn MP
Secretary of State for Energy

Hon Barbara Castle MP
Secretary of State for Social Services

Hon Peter Shore MP
Secretary of State for Trade

Hon William Ross MP
Secretary of State for Scotland

Hon Merlyn Rees MP
Secretary of State for Northern Ireland

Hon Harold Lever MP
Lord 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 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 Eric Varley 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
CONCLUSIONS of a Meeting of the Cabinet
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THURSDAY 29 JANUARY 1976
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PRESENT
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Secretary of State for Social Services

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 Marilyn 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 Michael Foot MP
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The Rt Hon Shirley Williams MP
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The Rt Hon Lord Shepherd
Lord Privy Seal
The Rt Hon Fred Mulley MP
Secretary of State for Education and Science

The Rt Hon Reginald Prentice MP
Minister for Overseas Development

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

The Rt Hon John Silkin MP
Minister for Planning and Local Government

ALSO PRESENT

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

SECRETARIAT

Sir John Hunt
Mr G R Denman (Items 1 and 2)
Mr J A Hamilton (Item 5)
Mr T F Brenchley (Items 2 and 3)
Mr E J G Smith (Items 1 and 2)
Mr J D Bryars (Item 4)
Mr A D Gordon-Brown (Item 1)
Mr A M Macpherson (Item 5)

CONTENTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PARLIAMENTARY AFFAIRS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Select Committee on Cyprus</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Direct Elections to the European Assembly</td>
<td>3</td>
</tr>
<tr>
<td>2.</td>
<td>FOREIGN AFFAIRS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Angola</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Chile</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>ICELAND</td>
<td>6</td>
</tr>
<tr>
<td>4.</td>
<td>URANIUM SUPPLIES FROM NAMIBIA</td>
<td>9</td>
</tr>
<tr>
<td>5.</td>
<td>LONDON WEIGHTING FOR MINISTERS AND MEMBERS OF PARLIAMENT</td>
<td>11</td>
</tr>
</tbody>
</table>
1. The Cabinet were informed of the business to be taken in the House of Commons during the following week. It was noted that in the debate on unemployment that day the Speaker was not expected to call the amendment put down by members of the Tribune Group, but there was likely to be a vote on the Government Motion. It was also noted that the Opposition might decide to vote against the Motion on the London Councillors Order on 4 February.

The Cabinet discussed a problem arising over the re-appointment of last Session's Select Committee on Cyprus.

The Government had initially resisted the establishment of this Committee, but following considerable pressure the Government had agreed to its appointment just before the Summer Recess. The Select Committee had not completed its task by the end of the Session, and wished to be re-appointed. It had indicated that it would wish to call for papers about diplomatic exchanges on Cyprus, including our negotiations with the previous Government in Cyprus; and also to summon the Foreign and Commonwealth Secretary to give evidence in person about events during the Cyprus crisis of 1974, including in particular conversations he had with the Turkish Prime Minister, Mr. Ecevit. Following consultation with the Chairman of the Select Committee a Government Motion had been put down, but not moved, to re-appoint the Committee until Easter and to enable it to complete its report, but without powers to call for persons, papers and records or to travel. The other members of the Select Committee had however been adamant that it must also have power to send for persons and papers, and there was considerable support for this view in the House and in the Parliamentary Labour Party. It was difficult to see how this demand could be resisted on this occasion; but there could be no question of the Foreign and Commonwealth Secretary having to answer on very sensitive matters. Not only would this create a most undesirable precedent but it would make it more difficult to get agreement in Cyprus and could have a serious effect on the North Atlantic Treaty Organisation. Indeed to accept that Select Committees should be given information about confidential diplomatic exchanges on sensitive subjects would make diplomacy impossible.

In discussion it was pointed out that a number of problems were currently being experienced in consequence of the more frequent appointment of Select Committees in recent years. Some of their chairmen and members wished to move towards an American system of Congressional investigation; and there were problems arising from the increasing desire of Select Committees to travel overseas. The Trade and Industry Sub-Committee of the Select Committee on Expenditure, for instance, proposed to travel to Iran in the course of its investigation of the Chrysler affair and to question Iranian officials who, if they agreed to be questioned, might
look for reciprocity if the Government of Iran wished to investigate the performance of British firms with contracts there. It would be undesirable that Select Committees should obtain more information from Ministers than they would feel able to give on the floor of the House; and it was equally unsatisfactory that Ministers should be expected to attend upon Select Committees to be asked questions which they were not prepared to answer.

THE PRIME MINISTER, summing up the discussion, said that he would that evening be seeing Mr Du Cann, in his capacity as Chairman of the Group of Select Committee Chairman, about the need for the Government to maintain its collective responsibility in Ministerial appearances before Select Committees. He would take the opportunity also to mention to him the problems that were occurring in relation to Cyprus and Iran. The Cabinet had earlier been disposed not to refer the general question of Ministerial appearances before Select Committees to a Committee on Procedure, but it was for consideration whether there might be informal discussions on Privy Counsellor terms with the Opposition leaders who could be expected to be responsive to the dangers of attempted moves towards a Congressional system and enquiries touching upon sensitive diplomatic issues. If the Select Committee on Cyprus were to be re-appointed - and this probably could not be avoided - it should be possible to adopt the line that information could not be given to the Select Committee if it could not be given to the House. The Cabinet were not, however, yet in a position to come to a final view on the re-establishment and powers of the Select Committee; if therefore this was raised at the Party meeting that day it should be explained that there were real problems relating to the taking of further evidence and that if necessary a statement would be made at a subsequent meeting. He would himself arrange for an examination, in conjunction with other Ministers directly concerned, of the general problems relating to Select Committees which had been raised in discussion; better control over overseas visits might be achieved by requiring the specific permission of the House on each occasion.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
THE FOREIGN AND COMMONWEALTH SECRETARY said that he had written to the Chief Whips of the other parties in Parliament, and similarly to the General Secretary of the Labour Party and to the Chairman of the Parliamentary Labour Party (PLP), telling them that he was thinking of tabling proposals on direct elections to the European Assembly as a basis for early debate in Parliament, indicating briefly the likely scope of the proposals, and inviting their views. The proposals would probably take the form of a White Paper; however, while some issues, mainly those to be decided on a Community basis, would require reasonably firm decisions, those for subsequent national decision could be dealt with more tentatively and more closely in form to a Green Paper.

The Cabinet were informed that the Liaison Committee of the PLP had asked that any debate in the House of Commons should be deferred until after a PLP discussion of the proposals, and it would be sensible for that discussion to be arranged when those PLP members who were also members of the European Assembly could attend. It was intended that the discussion should take the form of an expression of views, and not lead to a vote. Since the next meeting of the European Council, at which the Heads of Government of the Member States of the European Economic Community were expected to take decisions on a number of these matters, had been deferred until 1 and 2 April, it should be possible to meet this request.

In discussion it was suggested that, given the considerable importance and known differences of views on this matter, it would have been better for the Cabinet to have discussed the issue and to have formed a view before consultations were entered into with other parties. On the other hand it was explained that these consultations would not involve negotiations but would gather views. It would be sensible for this to be done before the Cabinet considered the text of a White Paper and approved it for publication. All those concerned had been promised full consultation; the procedure being followed had been indicated in answers to Questions in the House by the Foreign and Commonwealth Secretary on 17 December and the Prime Minister on 27 January, and had seemed to meet with approval from those likely to have differing views on the merits of the issue. A draft of the White Paper had been circulated to the Cabinet under the cover of a memorandum (C(76) 2) by the Foreign and Commonwealth Secretary and the Home Secretary; but this had not of course been sent to the political parties whose views were being sought. With the deferment of the date of the European Council, there was no need for the Cabinet to consider the draft White Paper now, but it should do so when a finalised text, amended as necessary in the light of the views expressed in the consultations, was available.
THE PRIME MINISTER, summing up this part of the discussion, said that the Foreign and Commonwealth Secretary should aim to complete his consultations with the other parties within the next two weeks. He and the Home Secretary should then circulate the text of the White Paper, revised as necessary to take into account the views expressed, for the Cabinet to consider with a view to publication in the latter part of February. A meeting of the PLP should be arranged to discuss the issue before a debate in the House of Commons. In the meantime the Foreign and Commonwealth Secretary should circulate to other members of the Cabinet the text of his letter to the other political parties.

The Cabinet -

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

Angola

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Popular Movement for the Liberation of Angola (MPLA), with Soviet and Cuban support, were now clearly getting the upper hand in the Angolan fighting. As many as 12,000 Cubans were now in Angola or on the way there. The South Africans were disengaging: they had of course never admitted their involvement. The American Secretary of State, Dr Kissinger, had made no headway in his efforts to persuade the Soviet Union to withdraw their support from the MPLA. The Soviet Ministry of Foreign Affairs had told our Ambassador that their intervention had been at the request of the MPLA whom they had long supported. They saw no reason not to continue to do so. The South Africans could take no comfort from the indecisive outcome of the Council of the Organisation of African Unity since those African States which had not recognised the MPLA were likely to change their stance one by one before very long. Although a government composed of the three factions in Angola, for which he had hoped, was now unlikely, he still hoped that the MPLA might see the wisdom of forming a government of national reconciliation, including some representatives of the tribes which had opposed them, since military victory would otherwise not end their problems. Our own policy should be to continue low level contacts with the MPLA, and to go on pressing publicly for the withdrawal of all external forces. He had considered several times the possibility of raising the issue in the United Nations Security Council but had decided that it would be unwise to do so against the express wish of the African Governments who, with the exception of Zaire, had unanimously opposed United Nations involvement in the dispute. We had to recognise that many African States must now be feeling insecure under the impact of what, in East/West terms, could only be regarded as a major Soviet success. There would also be repercussions on the Chinese position in Africa which had been built up with great skill but would now be weakened: this was already heightening the dispute between China and the Soviet Union. The only ray of hope was that, if the MPLA finally prevailed, other African Governments would subsequently put pressure on the MPLA for the withdrawal of the Russians and Cubans.

The Cabinet -

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

There was a brief discussion of the proposal for a loan of some $33 million to Chile from the International Bank for Reconstruction and Development (IBRD) for a copper project. It was explained that, in keeping with the Government's firm policy towards the present Chilean Government, the United Kingdom representatives on international bodies consistently refrained from supporting proposals for economic assistance to Chile. Our representative in the IBRD
would consequently abstain in the vote on the proposed loan for the copper project, and it was well understood in international banking circles that such abstention, combined with a statement in explanation of vote, was equivalent to an adverse vote. It was argued that this would not be understood by the general public and that it would be better for our representative to vote against the loan. On the other hand, the point was made that decisions on loans by the International Bank were taken on strict economic criteria which this particular loan was likely to satisfy. It was important to the United Kingdom, on wider grounds, to support the general policy that political factors should not be allowed to sway IBRD decisions.

The Cabinet –

2. Took note.

3. THE PRIME MINISTER said that the negotiations with the Icelandic Prime Minister, Mr Hallgrímsson, and his delegation had been both full and serious; in the course of four days they had extended for more than sixteen hours. Much of the difficulty in them arose from the weak position of Mr Hallgrímsson as the head of a coalition administration. Paradoxically, this weakness made him extremely tough in bargaining, since he knew that any other attitude would involve his almost certain fall from power. He had brought with him the leader of the minority Party in his coalition, Mr Thorarinsson, whose attitude had been even tougher. We had acknowledged the importance of conservation of cod stocks and, although there had been some disagreement between the scientists about the desirable catch figure for 1976, it had seemed possible that the two delegations might have reached some compromise figure on this key point. It was then necessary to establish a basis for the division of this catch between the United Kingdom and Iceland, allowing a small proportion for third countries. After discussion of many possible formulae, our final proposal to the Icelanders was that they should fix the total allowable catch, of which the United Kingdom would have the right to a specific proportion, subject to this proportion falling within a fairly narrow range between agreed minimum and maximum tonnages. The proportion we had suggested was 28 per cent, and in doing so we had had in mind that a suitable compromise figure for the total allowable catch might be of the order of 265,000 tons of cod. In addition to cod, our trawlers would catch varying quantities of certain other species, perhaps amounting to 10,000 tons in all, though these were mainly of low value. The precise catch figure to which such a formula would lead was one which the Minister of Agriculture, Fisheries and Food had considered acceptable to the British fishing industry. Mr Hallgrímsson had asked for time to discuss this proposal with his Cabinet colleagues.
and to cover the interim period of a few days we had worked out with the Icelandic delegation an arrangement for the temporary cessation of harassment of our trawlers, balanced by a reduction in the number of trawlers to thirty. Mr Hallgrímsson had not been able to agree even to this interim arrangement without reference to his colleagues on his return to Reykjavik, but had promised a reply on it by midday on 28 January: in the event he had then had to ask for a further delay of twenty-four hours.

THE FOREIGN AND COMMONWEALTH SECRETARY said that our offer had been an extremely reasonable one. In effect we were proposing that the Icelandic fishing industry should make a short term sacrifice, perhaps of only one year, after which substantially increased catches would accrue to the Icelandic industry. Nevertheless, he thought it likely that the Icelandic Prime Minister would be inhibited by the weakness of his internal position from accepting even a very reasonable offer. If in consequence we had to return to providing naval protection for our trawlers, certain international consequences were virtually certain to follow, regardless of the rights and wrongs of the issues in dispute. The Icelandic Government would break off diplomatic relations with the United Kingdom. They would renew their protests to the North Atlantic Treaty Organisation (NATO) and the United Nations, would probably cease to participate in NATO meetings and would perhaps threaten to withdraw from the Alliance. There would then be heavy NATO pressure on us to make concessions and we should be faced with the argument from our allies that NATO facilities on Iceland were worth far more than 10,000 or 20,000 tons of fish.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that a critical situation had arisen on the fishing grounds off Iceland. The Icelandic coastguard vessels were patrolling so closely around our trawlers that no fishing had been possible for the last forty-eight hours. If Mr Hallgrímsson accepted the interim arrangement it would still remain to be seen whether he could carry out his side of the bargain. If he failed to do so, we should be faced with two choices. Would we to resume naval protection? or, failing that, would we compensate the fishermen for their financial losses?

In discussion it was argued that the problem which we were facing might not last beyond July or August, depending upon the outcome of the session of the United Nations Law of the Sea Conference which was due to open in March. There were incentives for the Icelanders to reach agreement with us. If they failed to do so, we should catch under protection at an annual rate of 100,000 or even 120,000 tons of cod. And without an agreement with us they could not obtain the more favourable access to Community markets which would be open to them under Protocol 6 of their agreement with the European Economic Community. Should it become clear that direct
negotiations had failed, there would remain the possibility of mediation, with Sweden as a suitable candidate for mediator. If the Icelanders were too weak even to accept mediation, the offer of it would count to our credit in NATO.

THE PRIME MINISTER, summing up the discussion, referred to a Reuters message which had been received in the course of the discussion. This reported the Icelandic coastguard vessels as having received instructions to cease harassment of our trawlers. Immediate steps should be taken to seek confirmation of the authenticity of this report. If it proved true, it would influence our fishermen to accept the interim arrangement for fishing in reduced numbers. If proved untrue, then either the trawlers might carry out their threat to withdraw from waters off Iceland, or else harassment would sooner or later lead to warp cutting incidents. In the latter event it would no doubt prove necessary to send back our frigates to provide protection, but this was not a decision which should be taken now in view of the obscurities of the position.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.
4. THE PRIME MINISTER said that a decision was needed before the end of the month whether British Nuclear Fuels Ltd (BNFL) should be authorised to take up an option for supply of an additional 1,100 tons of uranium from Namibia in 1977-82 under their present contract with Rossing Uranium Ltd. The Secretary of State for Energy considered that this authority should not be given. The majority of the Defence and Oversea Policy Committee, by whom the subject had been considered, took the opposite view. The Committee had decided however that, since the issue was politically sensitive, it should be raised at Cabinet. The relevant minutes and papers of the Defence and Oversea Policy Committee had accordingly been made available to members of the Cabinet and with his agreement the Secretary of State for Energy had circulated an aide memoire expressing his views.

THE SECRETARY OF STATE FOR ENERGY said that when Ministers had taken their decisions on the Rossing contracts in 1968 and 1970 they had not been aware that uranium supplied from South Africa would come from Namibia or that the South African government would have a power of veto over such supplies. Also the estimate then made of the urgency of our need for additional uranium had proved to have been overestimated. The attitude of the Labour Party in Opposition to the Rossing contract was on record. In 1974 it had been decided that the contract should not be terminated but there had been important changes since that time. The United Nations views on Namibia had strengthened. Events in Angola had put the security of supplies from Namibia in some doubt. The South West Africa People's Organisation (SWAPO) had expressed publicly their opposition to the contract. And the slowing down world wide in nuclear power programmes had given us a little more time in which to decide our policy. His view was that BNFL should not be authorised to take up the option open to them under their present contract with Rossing, supplies under which would in any event be small in relation to our total needs; that we should discuss with the United Nations Council for Namibia and with SWAPO whether satisfactory arrangements could be arrived at; and that we should be prepared to seek uranium elsewhere than in Namibia.

THE PRIME MINISTER said that the majority of the Defence and Oversea Policy Committee was opposed to the recommendations made by the Secretary of State for Energy, and their view had been based on a careful analysis of our future needs for uranium and the availability of sources of supply outside Namibia. The Committee had taken into account the advice of the Law Officers that our contracts in Namibia were not contrary to our obligations under United Nations Resolutions, and they had noted also that by the time supplies of uranium under the option became available...
Namibia was unlikely still to be under South African control. There was in his view no immediate prospect of obtaining elsewhere even the relatively small quantities of uranium which would be provided under the option. Canada and Australia for example had adopted a very restrictive attitude towards exports of uranium, and any sales by them were likely to be of uranium in its processed form, which was costly and not suitable for all our generating stations.

In discussion it was argued that, although the proceedings of the United Nations Council for Namibia were not binding on us, we should pay serious regard to the views expressed at the United Nations and also to the attitude of African countries. Opposition to the policies of South Africa was likely to grow more intense in the years immediately ahead and it would not be in our interests to place ourselves in the minority of world opinion. Moreover South West Africa was in a state of change and pressure for Namibian independence was growing. There was a positive need to ensure that our supply of uranium was secure and was not put at risk by these developments. Economically the amount of uranium which we would obtain under the option was of relatively small value to us but the political difficulty of taking up the option was considerable. The right course was to forego the option and to discuss with the Commissioner for Namibia, Mr Sean MacBride, the attitude we should take on our contract in Namibia, with the objective of securing our uranium supplies.

It was pointed out on the other hand that world demand for uranium was rising and that competition for available supplies was likely to be intense in the 1980s. There were few sources of supply outside Southern Africa. Purchases from Niger were no more than a possibility. The prospect of supply from Canada or Australia was poor, new mines took up to 8 years to develop. Nuclear power produced the cheapest electricity, and in the interests of holding down industrial and other costs we should take whatever opportunity presented itself of satisfying our future needs for uranium. The analysis made for the Defence and Oversea Policy Committee had stated that cancellation of the main Rossing contract could imperil our supplies because it could not be replaced in the timescale required. But if it was accepted that the main contract should continue there was logically no reason why we should not take advantage of the option also and there would be substantial advantage in doing so. African countries felt it necessary to express public opposition to our contracts in Namibia but the views both they and SWAPO expressed in private were different. The Foreign and Commonwealth Secretary would be prepared to talk to Mr MacBride about our purchases of uranium from Namibia but only after a decision had been taken to authorise BNFL to take up the option.
THE PRIME MINISTER, summing up the discussion, said that a majority of the Cabinet agreed that BNFL should be authorised to take up the option open to them under their present contract with Rossing. They agreed that thereafter the Foreign and Commonwealth Secretary should discuss the general question of our purchases of uranium from Namibia with Mr MacBride and that the Secretary of State for Energy should be present at the discussion.

The Cabinet -

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

2. Invited the Secretary of State for Energy and the Foreign and Commonwealth Secretary to proceed accordingly.

5. The Cabinet considered London Weighting for Ministers and MPs. Their discussion and the conclusions reached are recorded separately.
THE PRIME MINISTER said that the Ministerial Committee on Economic Strategy (MES) had earlier that morning considered the payment of London Supplement to Ministers and Members of Parliament. The Top Salaries Review Body (TSRB) had reported in the summer of 1975 on the remuneration of Ministers, Members of Parliament and Peers recommending that the London Supplement should be increased to £340 a year, and that in future it should be adjusted automatically to keep it in line with changes in the Civil Service rate of Inner London Weighting. London Supplement had been increased to the level recommended by the TSRB with effect from 13 June 1975, the date on which the report was received; and the House of Commons had passed a Resolution on 23 July 1975, the effect of which was to provide that increases in London Supplement for Ministers and Members of Parliament were now automatically linked to increases in the relevant Civil Service rate. Since then the Civil Service Inner London Weighting had increased with effect from 1 July 1975 in a way which, under the Resolution, would lead to an increase in the London Supplement from £340 to £385. Unless any steps were taken to amend the Resolution of 23 July 1975, the effect would be that the London Supplement would have been increased twice in the space of one month. Although this increase would be entirely consistent with the pay policy and with decisions that had already been taken about similar cases, it had been argued in MES that Ministers and Members of Parliament should not take advantage of what would be seen as a technical point to increase London Supplement because of the possible damage this might do to the pay policy. It had therefore been proposed that Ministers and Members of Parliament should forgo the £45 increase in London Supplement to which they were entitled as one way of reinforcing the operation of the pay policy. MES had however recognised that any attempt to amend the Resolution of 23 July in such a way as to prevent the payment of £45 might give rise to even more undesirable publicity if it were opposed; and this was likely given the importance which many backbenchers on both sides attached to the principle of linkage. The Committee had therefore decided on balance that
London Supplement should be increased by £45 with effect from 1 July 1975 as already provided for by the Resolution of 23 July 1975. It would however be helpful if Ministers who were members of the Cabinet were to forgo this increase; this would be useful ammunition if later the Government were criticised for not intervening. In the light of this decision no further Parliamentary action was needed. It was to be hoped that the payment of the increase would attract no publicity; and if this were so members of the Cabinet should not draw attention to the payment of this increase or to the fact that they would not themselves be receiving it. He would take steps to ensure that no difficulties arose, for example with the Inland Revenue, because of the fact that the £45 increase would not be drawn by Cabinet Ministers.

The Cabinet -

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

Cabinet Office

30 January 1976
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 5 FEBRUARY 1976
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 Eric Varley 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 Anthony Wedgwood Benn 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 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

SECRET
SECRET

The Rt Hon Lord Shepherd
Lord Privy Seal

The Rt Hon Reginald Prentice MP
Minister for Overseas Development

The Rt Hon Fred Mulley MP
Secretary of State for Education
and Science

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

The Rt Hon John Silkin MP
Minister for Planning and Local Government

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Edmund Dell MP
Paymaster General (Item 6)

The Rt Hon Joel Barnett MP
Chief Secretary, Treasury
(Items 3-5)

SECRETARIAT

Sir John Hunt
Mr G R Denman (Items 1 and 2)
Mr J A Hamilton (Items 3, 4 and 6)
Mr T F Brenchley (Item 2)
Mr W I Mclndoe (Items 1 and 5)
Mr E J G Smith (Items 1 and 2)
Mr J A Marshall (Items 3, 4 and 6)

CONTENTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PARLIAMENTARY AFFAIRS</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>FOREIGN AFFAIRS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Greek Membership of the EEC</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Spain</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Iceland</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Rhodesia</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Falkland Islands</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>WHITE PAPER ON PUBLIC EXPENDITURE</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>PUBLIC EXPENDITURE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Procedure</td>
<td>8</td>
</tr>
<tr>
<td>5</td>
<td>STUDENTS' FINANCE AND UNEMPLOYMENT</td>
<td>10</td>
</tr>
<tr>
<td>6</td>
<td>DEVELOPMENT LAND TAX</td>
<td>14</td>
</tr>
</tbody>
</table>

ii

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

2. The Foreign and Commonwealth Secretary said that the Commission of the European Economic Community (EEC) had issued its Opinion on Greece's application for membership of the Community. The Commission recommended a clear affirmative reply to the Greek request and the opening of negotiations for accession. But it also referred to political problems in relation to Turkey and Cyprus, and to the economic and financial difficulties that Greek accession would create. It therefore proposed a preparatory pre-accession period. The Greeks had reacted strongly against the Opinion, especially in view of the reference to Turkey, and were lobbying hard in EEC capitals. The French had supported them at once and subsequently the West Germans and the Dutch had said that there should be no pre-accession period. In the circumstances, and given our public commitment to the principle of Greek accession, we should not put ourselves in a minority of one by opposing the opening of negotiations for accession, though we could envisage a long period of negotiation.

In discussion it was argued that the question of Greek membership of the EEC could not be decided without proper study of the whole question of the further enlargement of the EEC, including the implications of accepting Greek membership for considering later applications from such countries as Turkey, Spain and Portugal. There seemed to have been no study as far as the enlargement problem in general, either by the British Government or by the EEC. As regards Greek membership, there were of course arguments for it but the economic consequences for us could be adverse, and it could strengthen the protectionist and inward-looking elements in the Community. These adverse consequences would be reinforced if Greece were followed by a number of southern European countries, whose economic and social structure differed from that of existing members of the EEC. In his report on European Union M Tindemans had suggested a system of two-tier membership of the Community. Although there were disadvantages in that concept as applied to existing members, it might be inevitable if the EEC were enlarged. This aspect should be further considered, as should the position of countries such as Iran, who were seeking something more than a trading and co-operation agreement with the Community but less than full membership.
It was pointed out however that, while there would be advantage in the Cabinet considering, on the basis of a properly-prepared analysis, the whole question of the enlargement of the EEC, it would be important to avoid appearing publicly to take the lead against enlargement. Any discussion with the Foreign Ministers of other Member States on this matter would have to be on a private basis. The economic disadvantages of Greek accession were generally recognised, and had been brought out in the Commission's Opinion, but no Member State would wish to emphasise this aspect publicly, and in the end many of them would decide their policies on this matter on political, rather than economic, considerations.

THE FOREIGN AND COMMONWEALTH SECRETARY said that a recent speech by the Spanish Prime Minister, Senor Arias, on Spain's constitutional future had not gone beyond generalities, but other Spanish Ministers had spoken out more clearly about such essential reforms as universal suffrage. We must not expect miracles overnight, but if the programme went forward as planned there was a real possibility that in about 16 months' time Spain might have something approaching a respectable democratic structure, with a bicameral legislature based on universal suffrage. The Spanish Foreign Minister, Senor Areilza, who was regarded as a "liberal", was paying visits to Western European capitals: and would be coming to London on 2 March. This could provide the opportunity for a valuable discussion. He would himself raise the questions of universal suffrage and the position of trade unions in Spain and would also mention Gibraltar. In the European Economic Community he would not oppose negotiations with Spain on tariff reductions but would work for them to take place on a basis which would suit the United Kingdom's interests. He would report to Cabinet again after his meeting with the Spanish Foreign Minister.

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had little to add to the report he had made to the House of Commons on the previous day. There had been a message through our Ambassador from the Icelandic Foreign Minister, Mr Agustsson, requesting that our trawlers should continue to haul when so instructed by the Icelandic coast guard. He had sent a reply to the effect that we would need a clear understanding of the circumstances in which requests to haul would be issued. Frankly, he did not expect a satisfactory answer; the purpose of his reply had been to put responsibility back on the Icelanders. He had
briefed all the North Atlantic Treaty Organisation (NATO) Ambassadors and it was his hope that other NATO countries would adopt at least a neutral attitude to the dispute. He thought that it was inevitable that the Icelandic Government would soon break off diplomatic relations with us, but he believed that they would see the dangers of isolation and would therefore think hard before deciding to withdraw from NATO. He considered that there was a need for Ministers collectively to examine the long term problems of our fishing industry. He would circulate to the Cabinet, for the information of members, the details of the offer we had made to the Icelandic Government.

THE FOREIGN AND COMMONWEALTH SECRETARY said that Mr Nkomo, who had taken the initiative in asking to come to London, had given him two documents tabled in his talks with Mr Ian Smith. Mr Nkomo was dubious about the prospects for these talks, but wanted to keep them going and had sought our help in bringing other pressure to bear on Mr Smith. He had asked us to transmit the two documents to Mr Vorster, the Prime Minister of South Africa, and the Prime Minister had agreed also to send a message to Mr Vorster urging that he should press Mr Smith to make concessions to avoid dangerous guerrilla activity. At Mr Nkomo’s request he had also agreed to send the two documents to Dr Kissinger, asking him to apply pressure on South Africa. He would be keeping in touch with Mr Nkomo.

THE FOREIGN AND COMMONWEALTH SECRETARY said that on the previous day the unarmed Royal Research Ship Shackleton had been accosted on the high seas by an Argentine destroyer, which had fired shots across her bows and threatened to fire on the Shackleton if she refused to heave to. The captain of the Shackleton had communicated urgently with the Governor of the Falkland Islands and both the Governor and the captain of the Shackleton had handled the situation extremely well. The Governor had instructed the captain, while not risking his ship, to avoid accepting a boarding party and to steam towards Port Stanley. This the captain had succeeded in doing: the destroyer had shadowed the Shackleton until she reached Port Stanley and had then turned away. It was not clear whether the destroyer’s action represented a calculated act of policy on behalf of the Argentine Government. He had made a vigorous protest to the latter, who had counter-protested alleging that the Shackleton was sailing through Argentine waters without permission. The Cabinet had earlier decided that
he should not discuss the question of sovereignty over the Falkland Islands with the Argentine Government: but he might need to seek some room for manoeuvre which would be consistent with our undertaking to the Islanders. He would consider this further after he had received the report of Lord Shackleton who was on his way back from his economic survey of the Falkland Islands.

The Cabinet -

Took note of the statements by the Foreign and Commonwealth Secretary.
3. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C(76) 6) seeking authority to publish a White Paper on public expenditure, a draft of which was attached to the memorandum.

THE CHANCELLOR OF THE EXCHEQUER said that he had no points to put before the Cabinet on the substance of the White Paper but the problems of presentation would be very difficult and he wished to make one or two comments on these. The drafting was rather dull, but this might be no bad thing, since a lively and acceptable presentation to one audience might be provocative to another. He would be announcing on 12 February a package of measures to help the unemployment situation; these were an essential part of the attack on unemployment but they did add to public expenditure and might be criticised on that score. A few days later he would be sending a reply to the First Report of the Select Committee on Expenditure (H.C. 69 of 11 December 1975) to be followed on 19 February by publication of the White Paper. The Budget would be presented on 6 April. The cuts in expenditure shown in the White Paper did not appear as large as those made by Cabinet; this was the result of a number of factors including the fact that it was not possible publicly to quantify the effect of the agreed change in the method for uprating social security benefits. Critics would claim that the increase in debt interest wiped out the cuts in expenditure programmes; there were counter arguments to this claim. It was a criticism made of all Governments that these expenditure White Papers showed no cut in the immediate future, but promised cuts later; and as far as 1976-77 was concerned this was true of the present Government. It was therefore necessary in presenting the White Paper to emphasise the tighter control which was to be exercised. The reply to the Select Committee would spell out the new arrangements for cash limits; and there would be a special White Paper, giving the figures for the limits, to be published at about the same time as the Budget. In his view there was great need for better control over additional expenditure proposals accepted as a demand upon the Contingency Reserve. If the Government failed to exercise better control there, they would again face the need for massive cuts at a later stage.

He and some of his colleagues most closely concerned were in informal touch with the leading members of the Trades Union Congress, and had kept them informed of the Government's expenditure plans and the reasons for them. It would be important, in carrying the trades unions and the Labour Party, to stress the need to prevent large tax increases; and to emphasise that the Government was still planning to spend over £50,000 million on public expenditure, and would be spending more than had been planned by their Conservative predecessors.
In discussion, it was suggested that the passages headed "Changes in Programmed Expenditure" which appeared at the end of each programme section in Part 2 of the draft White Paper represented something of a hostage to fortune, in that they would maximise the adverse reaction of the critic, and provided him ready-made with the material he needed to attack the Government. The media would be likely to seize upon this, as would critics of the Government among their own backbenchers. There would be advantage if these sections were omitted; but since some of them contained material which must be retained, they should be re-examined with a view to incorporating such material in the main programme texts.

In the course of further discussion the following specific points were made:

a. The argument in paragraphs 22 and 23 of the text of Part I should be toned down to say that the Government could have gone further in cutting public expenditure and seeking an improvement in the balance of payments, but they were concerned to take full account of the position of employment. The drafting of paragraph 23 in particular sounded too much like a direct threat. However, the drafting of this would need care, because there were risks in both directions.

b. The second sentence of paragraph 8 of page 51 of the draft should be rephrased in vaguer language, rather like that in the fourth sentence of paragraph 2. Unless this were done there was a danger that the text would be interpreted to mean that reductions damaging to the mining interests were in train.

c. In paragraph 10 on page 91, the words "more selectively" in the first sentence should be deleted, since they would be seized upon by such bodies as the Child Poverty Action Group.

d. If the section on changes under each programme section were omitted, paragraph 8 on page 105 would disappear; but insofar as any part of that material might be incorporated in the main text, the reference to the intention to legislate to change the retirement pension earnings rule should be omitted entirely.

e. It was noted that in the table on pages 104 and 105 of the draft, figures were given for future years for numbers receiving various benefits, including unemployment. These might be difficult to justify, but it was pointed out that, as
was made clear in footnote (3) to the table on pages 102 and 103, the figures for future years represented a working assumption and not a forecast of unemployment levels.

In any comment which might be made about the reductions referred to on pages 16 and 17 under Defence, care should be taken to avoid any suggestion, while the Constitutional Convention was meeting in Belfast, that this implied a withdrawal of British troops from Northern Ireland.

THE PRIME MINISTER, summing up the discussion, said that, subject to certain changes, the Cabinet were agreed that the draft White Paper circulated by the Chancellor of the Exchequer should be published on 19 February. There was general agreement that the sections headed "Changes in Programmed Expenditure" at the end of each of the individual programme texts in Part II should be deleted; but it was recognised that there might be material in them which should be retained, and the Treasury should consider this bilaterally with the individual Departments with a view to incorporating the retained material in the main text under each programme. A number of other specific changes had been suggested in discussion, and these too should be considered by the Treasury and revised texts agreed with the Departments. If the printing difficulties created by these amendments were to be overcome in time for publication on 19 February, it was essential that the precise text of any proposed changes should be in the hands of the Treasury by close of business on Friday 6 February. The Chief Secretary would announce the publication date later in the day.

The Cabinet —

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

2. Agreed that, subject to the changes which had been discussed, and any minor or drafting changes which might be necessary, the White Paper should be published on 19 February; and that this date should be announced later in the day.

3. Invited all Ministers concerned to arrange for any further amendments to the White Paper to be put in the hands of the Treasury by Friday 6 February.
4. THE PRIME MINISTER said that authorising the publication of the White Paper had been the last step in the prolonged procedure of cutting £3,500 million from the public expenditure programme, with all the attendant political and Departmental difficulties that had involved. It would be most important for the Government to avoid getting into the same position again, particularly in the next two or three years which would be a run up to an election. This meant they must avoid any erosion of the decisions which had been taken. This was essential both to make room for the economic upturn and to provide an answer to critics who said that public expenditure was out of control. The risk lay in a series of ad hoc public expenditure decisions during the year without reference to the state of the Contingency Reserve, which, year after year, had been more than swallowed up by such decisions. It was therefore important that as far as possible any new measures involving public expenditure should be accommodated within existing Departmental totals, by offsetting savings wherever that was necessary. Where that was not possible - and where Treasury Ministers, who were normally in a minority of one on policy committees, were not ready to accept the additional expenditure as a charge on the Contingency Reserve - the matter would have to be referred by the appropriate Ministerial policy committee to the Cabinet. This would mean that Treasury Ministers should not be overruled without reference to Cabinet. He hoped that such appeals would not be too frequent, but it would be desirable for the Cabinet to take them in batches, and at the same time to have a report from the Chancellor of the Exchequer on the then state of the Contingency Reserve. This strengthening of the decision-taking system for controlling public expenditure should not be operated in an unduly inflexible way or of itself reduce the Cabinet's room for manoeuvre. There could well be times (eg when unemployment was high) when it would be right significantly to increase the overall level of spending during the year. This however should flow from a conscious collective decision, taken in the light of the known situation, and not from the Treasury losing a series of individual arguments which the Cabinet had not considered and which, in aggregate, might be inconsistent with the Government's overall priorities.

During 1975 the Cabinet had on a number of occasions discussed public expenditure, and its economic background, at some length in order to arrive at general attitudes through taking a deeper and longer look at constraints and priorities before reaching particular decisions. He had put a paper to the Cabinet in May (C(75) 60) which set out a suggested sequence of the meetings Cabinet might hold on public expenditure, and a version of this - truncated because of the reduced time available then - had been successfully followed. These arrangements were not intended to be immutable but in 1976 he hoped that they could make an early start and follow the proposed sequence of meetings as nearly as possible.
The Cabinet -

Took note with approval of the Prime Minister's statement.
5. The Cabinet had before them a note by the Chancellor of the Exchequer (C(76) 7), covering a memorandum by the Chief Secretary, Treasury, and a memorandum by the Secretary of State for Education and Science (C(76) 8) dealing with the related problems of student support, social security benefits and the registration of students as unemployed.

THE PRIME MINISTER recalled that in June last year he had called for an early solution to the situation whereby the unemployment figures were inflated by students during their vacations. Although he recognised the practical difficulties, he was most concerned that action might not now be possible until the Christmas vacation.

THE CHIEF SECRETARY, TREASURY said that the note by Treasury officials which was attached to his memorandum dealt both with the short-term problem of keeping students off the unemployment registers in the Easter vacation and with the longer-term issues, concerning their future entitlement to unemployment and supplementary benefits, which he recognised were complex and, although requiring early decisions, could be considered separately. The central question was whether students should look to the students’ support system or to unemployment benefits for the necessary financial help for their vacations. There had been a very large increase in recent years in the enrolment of students on the unemployment register and there was evidence that they had been actively encouraged to register, without serious intention of obtaining employment, in order to secure supplementary benefit. He recognised that an increase in the unemployment figures during the Easter vacation would present particular difficulties for the Government’s negotiations with the Trades Union Congress (TUC) in relation to the Government’s counter-inflation policies. It was with these considerations in mind that he had proposed, for urgent examination, an interim scheme designed to obviate the use by students of supplementary benefit in that vacation. This would involve the payment to students of £23 before the Easter vacation, but if, on examination, this proved to be impracticable, he would be very ready to consider some alternative proposal. At the same time he proposed that the Government should announce as soon as possible the intention to publish statistics of unemployment separately from statistics of students who registered for employment in vacations and that this practice should be adopted not later than the unemployment count in March. In addition, consistently with the principle that students should look to the grant system for any necessary financial support in their vacations, he thought it essential that the Government should announce their intention to amend the legislation in due course so that, in ordinary circumstances, students would not be eligible for benefits in any vacation.
THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that, while he was fully aware of the political need to avoid prejudicing in any way the forthcoming discussions with the TUC on future prices and incomes policy, he felt that this would be largely met, so far as unemployment figures were concerned, by treating the student figures separately, as the Chief Secretary had proposed, and at the same time announcing that the interim scheme for obviating the use by students of supplementary benefits, as agreed by Social Services Committee, would come into effect before the Christmas vacation. He was strongly opposed to the Chief Secretary's proposal to announce an intention to abolish by legislation the entitlement of students to unemployment and supplementary benefits. This would create real hardship in many cases: the average annual grant for students was £740 of which the weekly allowance for the vacations was £3.16; and it had been estimated that 52 per cent of students did not receive the full equivalent of the grant because their parents refused to pay the appropriate contribution and that in about one-third of these cases the shortfall was more than £50 a year. Moreover, many students were entitled to unemployment benefits by virtue of the contributions which enabled them to qualify. He foresaw that the Chief Secretary's proposal would be strongly resisted by the trades unions, many of whose members, with children at universities, would be suffering the effects of unemployment and that it might well result, by way of protest, in the mass registration of students in employment offices during the Easter vacation after the Government's intention had been announced. The Chief Secretary's proposal for introducing an interim scheme before the Easter vacation in order to disqualify most students from receiving unemployment or supplementary benefits raised very serious practical difficulties, particularly in relation to the existing pressures on local authorities' resources. In the time available it would be impracticable to transfer the burden to the universities and other institutions who would in any case have no means of knowing precisely what students were entitled to the additional payment. Further complications would be raised by the division in local authority expenditure, which would be involved, between two financial years. He was also advised that new regulations would be required to introduce the interim scheme. He therefore recommended that the scheme should be introduced for the Christmas vacation.

In discussion, there was general support for the proposal that students registered for employment should be shown separately from the unemployment figures. The question arose, however, whether the student figures should be published separately and at a later date, notwithstanding the fact that they would be available at the same time as the unemployment figures, or whether they
should be published simultaneously, possibly in the same document but relegated to another section, as was the case with the figures of those who had temporarily stopped work. In favour of the latter course it was argued that, although the numbers of students registered as unemployed had greatly increased, there had been no obvious change in the principles which had led to the agreement between the political Parties in 1972 that students should be included in the unemployment figures. On the other hand, it was now much more evident to public opinion that the figures were artificially inflated by student registration and there was less likelihood of serious criticism if the student element were removed from them altogether and, if this seemed desirable, published separately. The analogy of the treatment of figures of those who had temporarily stopped work would be presentationally useful in justifying the case for taking students (who were in many ways comparable) out of the unemployment figures. There was also general agreement that the intention to separate the student figures should be announced at the same time as the publication of the unemployment figures in February, which were expected to show a drop compared with the figures for January.

On the question of announcing an intention to legislate in due course in order to abolish students' entitlement to unemployment and supplementary benefits, there was considerable support for the view that to exclude from benefit an entire category, which might include many who were in genuine need, would be widely regarded as inequitable and would create serious political difficulty; the main objective of policy should be to concentrate the student grant in the short vacations, when the incidence of registered student unemployment was generally much higher, and to accept the need for many students to supplement their income by working in the long vacation. On the other hand, it was pointed out that the Cabinet's decision to make £15 million public expenditure savings in supplementary benefits for students would involve legislation as envisaged by the Chief Secretary since there was no other assurance of securing the necessary savings. It was agreed that further consideration would have to be given by the Ministers concerned to this and other longer-term issues and that it would not be practicable to contemplate any announcement of the Government's legislative intentions at the same time as announcements were made on the separation of the employment statistics and on the introduction of any interim scheme before the Easter vacation.

As regards the proposed introduction of an interim scheme before the Easter vacation, there was considerable support for the view of the Secretary of State for Education and Science that this would present serious practical difficulties. To the extent that additional
financial and manpower resources of local authorities would be involved, there was a risk that, particularly in view of the small sum payable to each student under the Chief Secretary's suggested scheme, the Government would lose a good deal of credibility in its presently successful efforts to persuade local authorities of the extreme importance of reductions in staffing and expenditure generally. On the other hand, the view was strongly expressed that, because of the importance of reducing the numbers of students who registered for employment during the Easter vacation, a further attempt should be made by the Ministers concerned, to see whether an interim scheme, either of the kind suggested by the Chief Secretary or some other, could not be agreed and implemented before that vacation.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that student figures should be removed from the unemployment figures and published separately. This decision should take effect from March but should be announced when the unemployment figures were published in February. The analogy with the treatment of the temporarily stopped category would be useful presentationally. It was however highly desirable that at least an interim scheme to keep students out of unemployment offices should be operating by the Easter vacation. Officials should urgently review all the possibilities which had been mentioned, including one devised by the Prime Minister's Policy Unit. As regards the longer term issues there were powerful arguments against legislation and it would be wrong to announce any such intention when announcing an interim scheme. But all possible options should be further reviewed by officials and none could be excluded at this stage. The Lord President, in consultation with the other Ministers concerned, would oversee this work and ensure that a report was made to Cabinet not later than their meeting on 19 February so that any decision on the interim scheme could be announced at the same time as the change in the presentation of the unemployment figures.

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 Chancellor of the Exchequer (C(76) 5) in his capacity as Chairman of the Ministerial Committee on Economic Policy, and a memorandum by the Minister for Planning and Local Government (C(76) 4) about two problems which had arisen on Development Land Tax.

The Chancellor of the Exchequer said that the Ministerial Committee on Economic Policy had recently discussed Development Land Tax (DLT) and were unable to reach agreement on two aspects - the initial rate of tax and whether or not roll-over relief should be granted on DLT. The White Paper "Land" (Cmd 5730), published in 1974, said that the rate of DLT when first introduced should be 80 per cent, rising eventually to 100 per cent. The Treasury considered that the initial rate of tax should be 66 2/3 per cent, rising to 80 per cent after two years, and only at some later point of time rising to 100 per cent. The main argument in favour of a change was the risk that an 80 per cent rate would provide a continuing strong disincentive to the sale of land for house-building and that this would cause the Government to retreat in a year or two when the change would be politically much more embarrassing than it would be at the present time. There was also a risk that the total tax yield would be reduced by an 80 per cent rate and more peripherally the possibility of an awkward situation for the Government if the bond holders of the Mersey Docks and Harbour Company were unable to sell development land at profitable prices because of the high rate of tax. Against this it had been argued that the Government was publicly committed to the 80 per cent rate: the effect on the availability of land for house-building was much less than had been suggested by the Treasury and the severity of the 80 per cent rate would be mitigated by the proposal to exempt the first £5000 of development value from tax. Roll-over relief was already granted to farmers and industrialists under Capital Gains Tax and Development Gains Charge. The argument in favour of having a similar relief for DLT was that development gains were an important source of capital for farming, and for industry in cases where a firm was considering moving from a valuable city centre to a development area. On the other hand, granting relief would reduce the Exchequer's receipts from DLT; it would be difficult to administer; and there would be a period of uncertainty, perhaps prolonged, for local authorities in which they would not know what the price of the land they purchased would be. These were the issues upon which the Cabinet now had to take a decision.

The Minister for Planning and Local Government said that the Government's policy was that development land should be publicly owned by local authorities in order to facilitate satisfactory planning; and to this end it was agreed that they should be able to
buy land at Current Use Value. However, because different local authorities were in different positions, it was agreed that there should be a transition period during which private transactions would continue but would be subject to DLT which would be introduced initially at 80 per cent with a view to moving to 100 per cent as soon as possible thereafter. In the interim period, local authorities would buy at current market value less whatever DLT would otherwise have had to be paid. The first £5,000 of any sale was to be exempt from the tax. This was the Government's present publicly declared policy. The proposal had been made that, instead of 80 per cent, the tax should be introduced at 66\(\frac{2}{3}\) per cent, being raised to 80 per cent in 1978 and to 100 per cent as soon thereafter as circumstances would allow. In his view, if this were done, the public generally would cease to believe that the Government intended ever to move to land transactions taking place at Current Use Value, and landowners would hold back from putting land on the market in the belief that the Government was retreating from its policy and would subsequently be compelled to push the rate down further. He accepted that a lower rate of tax could bring forward some land which might otherwise come on to the market; but he did not find this argument overwhelming. The big developers would buy their land in any case; and the small house-builders, buying half an acre or so - who accounted for 30 per cent of house-building - benefited very greatly from the £5,000 exemption, which he would like to raise to £7,500 or even £10,000 since this would increase the availability of sites up to two acres.

It was not only the prospect of development land tax at 80 per cent which would keep land off the market; the present low level of transactions was more probably due to low prices, which were only some 55 per cent of those prevailing in 1971-73. Even if the tax did have an adverse effect, he was not of the opinion that this need be detrimental to the Government's housing policies. Local authorities had enough land in their hands already to meet public housing needs over the next four years - in some cases more. The land which was available could be put to better use by two changes which might be made - increasing the density of houses on private housing plots; and the speeding up of planning procedures. If the housing programme were protected in this way, the DLT could safely be introduced at 80 per cent. It would in any case be difficult to justify a lower rate to the Government's supporters, since such a rate would benefit most the big owners of land, for whom the exemption provision was of least importance. It would also mean that local authorities would have to pay more for their land, and this was politically unacceptable. He therefore proposed that the existing policy of an initial rate of 80 per cent be retained.
On the roll-over relief, his view was that such relief was inappropriate for a flat rate tax such as DLT; and that the administrative difficulties which would arise for local authorities made the proposal to introduce such relief unacceptable.

THE PAYMASTER GENERAL said that in his view the introduction of DLT at 80 per cent would lead to a serious shortage of land for housing, and might well kill the whole of the community land scheme. This was the main argument against 80 per cent. He recognised that it would be embarrassing for the Government to go back on its present public position on DLT, but they had to choose between some embarrassment now or facing serious land shortage difficulties in two or three years' time. It was a matter of judgment how far the higher rate would in fact lead to a land shortage; but it was true that the current level of land transactions was exceedingly low. The increased exemption which had been proposed would do nothing for the higher end of the land market; and he pointed out that it was in fact tantamount to a reduction in the effective rate of tax (which was what he was himself proposing), although its effect would vary according to the size of the transaction. In his view none of the other points put forward for easing the housing position could outweigh the damage the Government might suffer if their housing policies, and the community land scheme itself, were put in jeopardy by an initial rate of tax at 80 per cent rather than 66\% per cent. If it were the case that even a reduction to 66\% per cent was not enough, then the Government faced a very serious problem on housing land indeed.

Roll-over relief had been given on previous capital taxes and there were strong economic and industrial arguments for giving similar relief on DLT. Development gains were an important source of capital for the farming industry, and only more marginally for industrial firms. In his view those considerations outweighed the administrative difficulties for local authorities, which would certainly result from introduction of relief, but which were not insuperable.

In discussion it was suggested that a lower rate of tax was not essential in order to make sufficient land available for housing. The local authorities had large holdings, and in many places housing need was tapering off, so that land could be made available to the private sector. The current lack of transactions was the consequence of lack of demand, not lack of supply; and even if supply did become a problem, the proposals to increase the exemption allowance, increase housing densities in the private sector, and improve planning procedures, would go far to ease the situation. In any case, the possible difficulty in prospect was
not a new one, since any scheme to solve the land problem was likely to come up against a sellers’ strike at some point. On the other hand, it was argued that there was a lesson to be learned from the experience of the Capital Gains Tax. At one time it had been thought that this should be introduced at a high rate; but in the event it was introduced at 30 per cent, and the Conservative Party had never repealed it; there was no doubt that the modest level at which it had been pitched had contributed to its general acceptance. If DLT were introduced at 80 per cent, the Conservative Opposition would almost inevitably repeal it if they came into office; and the prospect of this would of itself cause the supply of land to dry up.

THE PRIME MINISTER, summing up the discussion, said that the question of the initial rate of tax turned very much upon a judgment of the likely effect of that rate on the supply of land for house building. It was true that land transactions were at present at a low level, but this might not be a guide to the future, and when the economy improved it would be a serious matter if there were a reluctance to sell the land simply because of the tax. At its extreme - if the supply largely dried up - this could be a disaster both for the community land scheme and politically for the Government. Nevertheless, the balance of view in the Cabinet was that the initial rate of tax should be 80 per cent; that the exemption should be raised from £5,000 to £10,000; but that there should be a limited form of roll-over relief of the kind given under Development Gains Charge. In view of the concern felt by some members of Cabinet about this decision, Housing and Treasury Ministers might consider whether there would be merit in an alternative whereby a low rate of tax were charged on the first large tranche of a sale - say £250,000 - and the higher rate on the remainder; if agreement on this could be reached between them there was no necessity to refer this variation back to the Cabinet: but if no agreement was reached the Cabinet decision should stand.

The Cabinet -

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

2. Agreed that Development Land Tax should be introduced at 80 per cent, but that the exemption should be raised from £5,000 to £10,000.
3. Agreed that the limited form of roll-over relief given under Development Gains Charge should be applied to DLT.

4. Invited the Minister for Planning and Local Government, in consultation with the Paymaster General, to consider the merits of a two band system of tax of the kind referred to in the Prime Minister's summing up.

Cabinet Office

5 February 1976
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 12 FEBRUARY 1976
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 Anthony Wedgwood Benn 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 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 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 Eric Varley 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
## CONTENTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PARLIAMENTARY AFFAIRS</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Royal Commission on the Legal Profession</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>FOREIGN AFFAIRS</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Visit of the Federal German Chancellor</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Iceland</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Falkland Islands</td>
<td>4</td>
</tr>
<tr>
<td>3.</td>
<td>EMPLOYMENT MEASURES</td>
<td>5</td>
</tr>
<tr>
<td>4.</td>
<td>FUEL BILLS</td>
<td>8</td>
</tr>
<tr>
<td>5.</td>
<td>THE CIVIL SERVICE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Political Activities and a Post-entry Union Shop</td>
<td>10</td>
</tr>
<tr>
<td>6.</td>
<td>DIRECT ELECTIONS TO THE EUROPEAN ASSEMBLY</td>
<td>13</td>
</tr>
</tbody>
</table>
The Cabinet were informed of the business to be taken in the House of Commons during the following week. In discussion of the previous day's vote on the salary of the Secretary of State for Industry, it was noted that a Motion was to be put down instructing the Clerk of the House to publish the lists of members who had participated in the voided vote; and that consideration would be given to possible means of preventing crowding around the lobbies during divisions.

THE PRIME MINISTER informed the Cabinet that, following discussion with the Ministers principally concerned of the proposals for a Royal Commission on the legal profession which had been put forward by Mr. Jack Ashley MP and others, he would be announcing in the House that afternoon that a Royal Commission was to be established. The Bar Council and the Law Society had the previous day issued a joint statement that they would welcome the opportunity to participate in such an inquiry. The Royal Commission would cover England and Wales; the question what action might be appropriate in Scotland was under consideration.

The Cabinet -

Took note.
Visit of the Federal German Chancellor

The Prime Minister said that he and the Foreign and Commonwealth Secretary had met the Federal German Chancellor, Herr Schmidt, and Foreign Minister, Herr Genscher, at Chequers the previous weekend. They had had a series of useful discussions. In general it appeared that Herr Schmidt was anxious to have meetings like this to balance the regular Franco-German consultations and to show that he considered Anglo-German relations as equally important. Herr Schmidt had now a much better opinion - which he had expressed publicly - of Britain’s economic prospects. There had been a long discussion on economic affairs, particularly on structural unemployment. The views of the two Governments were similar on many aspects, but they diverged on two. The Germans had a large coal surplus and were closing pits. Herr Schmidt had attacked rail monopolies as inefficient and supported road hauliers as efficient; it had been made plain that we did not share this analysis.

On Iceland Herr Schmidt was worried about the effects of the dispute on the North Atlantic Treaty Organisation (NATO), but he had explained the distance we were prepared to go to reach a compromise and that we were ready to accept mediation. Herr Schmidt would not himself act as a mediator, and had suggested using again the good offices of Dr Luns, the Secretary General of NATO. The Prime Minister had raised the question of offset payments against the cost of our forces in Germany. Herr Schmidt had shown signs of wishing to be helpful but could not commit himself at this stage in view of his forthcoming election. On the Tindemans Report on European Union, both sides had agreed that the European Council in April should have a general discussion only, with substantive discussion being deferred until a further meeting of the European Council later in the year.

The Cabinet -

1. Took note of the statement by the Prime Minister.

The Foreign and Commonwealth Secretary said that on the previous day he and the Minister of Agriculture had had a discussion with the Secretary General of the North Atlantic Treaty Organisation (NATO), Dr Luns, and had then brought him over to talk to the Prime Minister. Dr Luns was by now convinced of the incorrigibility of the Icelanders, but was nevertheless naturally more concerned with the NATO aspects than with the fishing aspects of the problem. Six points had been put to Dr Luns
for him to convey to the Icelanders in a further effort to demonstrate our reasonableness. These were: the idea of a short-term agreement to which the Icelanders had recently turned would be acceptable to us; on catch we thought that the time had come for Iceland to put forward figures for discussion; we were prepared to conduct secret negotiations if that was what the Icelanders wanted; we were willing to withdraw our trawlers a certain distance offshore as part of a settlement; if an agreement could be reached we were ready to keep it secret for a period which would allow for withdrawal of our frigates followed by a 48 hour interval prior to the announcement of the agreement; meanwhile, we would welcome NATO observers on board our ships off Iceland so that they could see for themselves where the responsibility lay for incidents.

Dr Luns had telephoned the Icelandic Foreign Minister, Mr Agustsson, after the meeting and had told him that he would have points to put to him through the Icelandic Ambassador to NATO, whom he would be seeing on his return to Brussels today. Despite the reasonableness of these points, Dr Luna shared our pessimism about the chances of a settlement. The fact was that if the Icelandic Prime Minister, Mr Hallgrímsson, had to make a choice between breaking up his coalition and ceasing to be Prime Minister on the one hand or breaking off relations with the United Kingdom on the other, he would prefer the latter.

In discussion the following points were made -

a. There was an element of propaganda in the Icelandic Government’s use of their scientists’ recommendation of a cod catch of 230,000 tonnes in 1976; a figure as low as this would have serious unemployment consequences for the Icelandic fishing industry and it was clear that they were willing to base their policy on a figure of 265,000 tonnes. We had offered to let the Icelanders decide what the total allowable catch should be and were willing to accept as our share 28 per cent of this figure, subject to maximum and minimum tonnage figures. If the Icelanders chose 265,000 tonnes, 28 per cent would fall between the maximum and minimum tonnages we had proposed. We were also ready to consider other conservation measures such as the size of mesh.

b. The Icelandic gunboats continued to show a very aggressive attitude. There was a real danger of a ship being lost. To cover the 41 trawlers now on station we had a large defence force; at present this consisted of three frigates, a Royal Fleet Auxiliary, a Royal Fleet tug and two civilian defence tugs with a third on its way there to join them.
The implications of our policy for NATO must continue to be kept in mind. The suggestion for NATO observers was a valuable one and should help to counter Icelandic propaganda accounts of incidents on the fishing grounds.

The Cabinet -

2. Took note of the statement by the Foreign and Commonwealth Secretary and of the points made in discussion.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the situation was a worrying one. On hearing that the Argentine Foreign Minister, Senor Quijano, was to be in New York on 11 February, he had sent the Parliamentary Under Secretary of State for Foreign and Commonwealth Affairs, Mr Rowlands, to talk to him, with a brief aimed at defusing the emotional situation created by the recent attempt of an Argentine destroyer to arrest the Royal Research Ship Shackleton. Mr Rowlands would ask what proposals the Argentines had regarding talks on sovereignty and would tell them that we were ready to defend the Falkland Islands in the face of an Argentine attack. Nevertheless, we must ourselves recognise that defence of the Falkland Islands would be a difficult task and that a situation could arise which would involve a national humiliation. He had asked for a military appreciation to be prepared and when it was ready he would be putting in a paper to Cabinet. It would be necessary for Cabinet to decide whether the Falkland Islands were really to be defended or not. The Islanders themselves numbered only some 2,000 and were totally dependent on us for their defence.

THE SECRETARY OF STATE FOR DEFENCE said that he welcomed the proposal that Cabinet should study this problem. Even to send a frigate to the Falkland Islands would take 15½ days at present when the nearest frigate was at Trinidad. A problem would arise when the RRS Shackleton wanted to leave Port Stanley. Even if a frigate had been sent there it would be no match for an Argentine destroyer. Indeed, Argentina could deploy more than one destroyer. They had a good navy and if it were all put to use it could only be countered by a major task force including an aircraft carrier. Because of inadequate landing facilities, there was no possibility of reinforcing the Falkland Islands by air.

The Cabinet -

3. Took note of the statements by the Foreign and Commonwealth Secretary and the Secretary of State for Defence.
3. THE PRIME MINISTER said that the Ministerial Committee on Economic Strategy (MES) had discussed at some length earlier in the week proposals by the Chancellor of the Exchequer for a further package of measures to alleviate unemployment. These proposals had received a wide measure of support in MES, and he was now inviting the Chancellor of the Exchequer to inform the Cabinet of the measures before they were announced in Parliament that afternoon.

THE CHANCELLOR OF THE EXCHEQUER said that the package of measures he would be announcing that afternoon involved a total gross expenditure of £220 million, £137 million of which would be spent in 1976-77. His proposals were grouped under the three headings of manpower and training, construction, and industry. Under the first heading £55 million would be spent over three years to create 30-35,000 extra training places in industry. This included the provision of £5 million to finance a scheme for non-craft operative training in the engineering industry which Mr Hugh Scanlon had been advocating. The Temporary Employment Subsidy Scheme was to be extended, first by increasing the maximum period of entitlement from 6 months to 12 months, and secondly by reducing the minimum size of a qualifying redundancy from 25 to 10 workers. The total gross cost of these extensions would be about £16 million. It was not proposed to increase the amount of the subsidy because the marginal cost to the Exchequer of the extra 20,000 workers that might thereby be brought within the scheme would be nearly £50 a head, and the offsetting savings were likely to be much less than this. Moreover, the net effect on the public sector borrowing requirement could be as high as £30 million. He proposed to extend the School Leaver Subsidy Scheme to cover Christmas 1975 school leavers at a cost of about £5 million. He also proposed to increase the funds allocated to the job creation scheme which produced jobs quickly and did not displace other workers. The Manpower Services Commission wanted to be assured that the scheme would not, for lack of funds, have to taper off during the winter when there might be a great need for it. He would therefore be allocating a further £30 million to create temporary employment under the scheme. The assistance he proposed for industry would amount to an additional £55 million to new industry schemes under the Industrial Investment Programme, which would help to secure the re-equipment and restructuring of important sections of the country's manufacturing base. £1 million would be allocated to the Development Commission for the building of more small factories in rural areas; and the National Enterprise Board would be placing orders for standard machine tools to the value of £5 million for future disposal at commercial rates. Finally, in respect of the construction industry, he was allocating
£50 million to be spent on housing improvement work. £6 million of this would be spent in Scotland and £4 million in Wales. Housing improvement was labour-intensive, and would make a valuable social and political impact. In addition to all these proposals, he intended to allocate £8 million for corresponding measures in Northern Ireland. He would also be making some reference in his statement to consultations between himself and the Secretary of State for Education and Science about ways in which local education authorities might be encouraged to make training places available in further education colleges and other establishments for unemployed young people in the 16-19 age group. The total gross effect of the package he would be announcing would be to provide some 140,000 jobs; but because of the displacement effect which this additional employment would have on the labour market, the net addition would amount to some 70,000 jobs.

The cost of the package would be very much greater than either of the two previous packages, and he believed that it would be welcomed by the Trades Union Congress who were particularly anxious that additional industrial training places should be made available and that assistance should be given to the construction industry. The effect of the package on the balance of payments would be tolerable, but it would absorb a substantial portion of the contingency reserve for 1976-77; and of the total contingency reserve of £900 million for 1976-77 well over half had been earmarked already and severe restraints would have to be applied to any further claims.

In discussion, it was argued that the proposals now to be announced ought first to have been considered in detail by the Cabinet. It was difficult for Ministers who were not members of MES to discover the details of proposals being discussed, though they might have a substantial interest. For example, the intention to allocate £50 million to help the construction industry raised the question whether all this money should be devoted to housing improvement. There were other construction projects, equally labour-intensive and socially valuable, on which the Government could be spending money, for example, the improvement of fire prevention measures in old people's homes, many of which were gravely at risk in this connection. It was suggested that the Chancellor of the Exchequer should not restrict the expenditure of £50 million for the construction industry to the particular task of housing improvement, but should allow the money to be applied to labour intensive building schemes on improvements which the Government considered to be socially desirable. This would give Ministers who had not yet been able to study the package the opportunity to put forward bids for building work which they considered to be important. If this could not be done, it was argued that any later allocation of funds for construction should be
applied to areas other than housing. Moreover there was a strong case for doubling the amount that was to be made available to assist the construction industry in view of the high level of unemployment to which it was subject, particularly in such areas as Merseyside and Glasgow.

It was pointed out, however, that the concern over the recent unemployment figures had placed the Government under intense pressure to take speedy action; indeed an undertaking to this effect had been given during the unemployment debate in the House of Commons on 29 January. This had made it necessary for the Ministers primarily concerned to move quickly. The central problem was to increase the level of additional expenditure without placing in jeopardy the decisions which had already been taken to restrain public expenditure. This suggested that expenditure to alleviate unemployment should be concentrated on a limited number of effective measures rather than being thinly spread over many programmes. It was the considered view of MES that the package was well-balanced, and relevant to the employment situation and to the wider needs of the economy. Furthermore, the Chancellor of the Exchequer had to retain some freedom of manoeuvre in the preparation of his Budget proposals and it would also be wise to keep some measures in reserve in case it became necessary to introduce another unemployment package later in the year.

THE PRIME MINISTER, summing up the discussion, said that because of the timetable promised by the Government, the Ministers primarily concerned had been obliged to produce an unemployment package urgently. Although some members of the Cabinet had reservations about the procedure which this degree of urgency entailed, the Cabinet agreed generally that the measures which the Chancellor of the Exchequer would be announcing that afternoon were an effective and well-balanced response.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.
The Cabinet considered a memorandum by the Secretary of State for Energy (C(76) 11) containing proposals for measures to deal with the danger of disconnection of gas and electricity supplies to old people as a result of increases in fuel prices.

The Secretary of State for Energy said that with the doubling of prices of fuel in two years and the difficult economic conditions there was an increased likelihood of people being faced with disconnection of gas and electricity supplies because of their inability to pay the bills. The problem was particularly serious in the case of pensioners. They were prone to hypothermia and because they valued their independence might not avail themselves of the assistance which was available. There was an additional difficulty in that they were a generation with a very high sense of responsibility and were liable to take Government publicity about the need for fuel economy to the point of damaging their health. There were already arrangements whereby the gas and electricity industries, having extended credit for at least five or six weeks from the date of an account, and given warning of the risks of disconnection, suspended such action for 14 days for people apparently suffering genuine hardship and referred them to the Supplementary Benefits Commission. The relevant agencies then considered whether financial help could be given or other arrangements made to deal with existing debts and to avoid further debt arising. Various easy payment schemes and some pre-payment meters were available to help people to keep up with their payments subsequently. However, while very few in number, cases continued to be reported which through human error appeared to have slipped through the safety net. He considered that further action was necessary and had consulted the chairman of the Electricity Council, the Area Electricity Boards and the British Gas Corporation on the possibility of a temporary suspension of disconnection for households consisting solely of pensioners. They had expressed concern that such a course could lead to a great increase in feckless behaviour. To meet their concern he proposed that the suspension should last only until the end of May. It would also be limited strictly to households consisting of state pensioners living on their own and not including any other income earner. On this basis the industries would be uneasy but would be willing to apply the policy. It was very difficult to estimate what the cost might be. The figure of £6 million in his memorandum was a maximum theoretical possibility which he did not regard as at all likely. It would be his objective to make the industries carry the costs themselves. As a second measure he proposed to establish an informal review with the industries under the chairmanship of the Parliamentary Under Secretary of State, Lord Lovell-Davis, of the methods of payment by gas and electricity consumers. The large increases in prices made such a review appropriate. In reaching conclusions they would be able to take account of practice in other
countries. He would like to make a low key announcement of these measures to Parliament on 16 February: a report was being published that day explaining why it was not possible to assist poorer consumers by a rearrangement of the tariffs of the fuel industries. If this report were not accompanied by some positive measures it would create an unfortunate impression.

In discussion it was argued that it would be wholly inappropriate to make an announcement of these measures at the present time. No opportunity had been given to consult the Scottish Boards about the effect of the proposals in that country. Moreover, the Scottish National Party was mounting a nation-wide political campaign based on an exaggerated assessment of the risks of hypothermia and the measures proposed would be widely interpreted as a confirmation of their propaganda. On the other hand, it was pointed out that if the Government took no action it would continue to receive bad publicity even though the scale of the problem was in fact very small. It was however suggested that the statement should be amended so as to give credit both to the positive action which had already been taken by the supply industries and by the Supplementary Benefits Commission. Care would also be needed in the presentation to avoid any impression of duplication with the inquiry by the National Consumer Council into the impact of higher fuel bills which had been established in December.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet supported the two proposals by the Secretary of State for Energy and agreed that they should be announced in Parliament on 16 February. The Secretary of State for Energy should however revise the terms of the statement to take account of the points made in discussion and in particular to ensure that the position in Scotland was satisfactorily covered.

The Cabinet -

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

2. Agreed the proposals in C(76) 11.

3. Invited the Secretary of State for Energy to revise his draft statement in consultation with the Secretaries of State for Scotland, Northern Ireland, Prices and Consumer Protection, and Social Services and to make an announcement to Parliament on 16 February.
The Cabinet considered memoranda by the Lord Privy Seal (C(76) 9 and 10) about the restrictions on the political activities of civil servants and the application of the closed shop principle to the Civil Service.

THE LORD PRIVY SEAL said that the present rules governing the political activities of civil servants were based on the report of the Masterman Committee in 1949 and were introduced in a White Paper published in March 1953. They divided the Civil Service into three groups: the "politically free" (all industrial and non-office grades); the "intermediate" (up to Executive Officer level); and the "restricted" (Executive Officer and above). There had been increasing pressure from all the Civil Service unions for a relaxation of these restrictions on the basis that any civil servant should be allowed to engage in political activities provided that the Department concerned judged, in any particular case, that this would not run counter to the public interest. In a letter dated 9 September the Lord Privy Seal had invited the views of his colleagues on a number of possible options for negotiation with the Staff Side; he himself had favoured a proposal to extend the "intermediate" group to include the grades immediately below Principal level. The replies of his colleagues, however, had shown a wide measure of disagreement over how far the present restrictions should be relaxed. Following the refusal by the Royal Commission on Standards of Conduct in Public Life to consider a submission on this question from the National Staff Side the latter had formally requested that an independent committee of inquiry be appointed. The recent public criticism of the Civil Service and the prospect of a retrenchment of staff numbers made it the more important that a positive response should be made to this request. Moreover, when the Prime Minister had informed the Leader of the Opposition of the limited relaxation of the restrictions which the Official Side had tentatively offered to the Staff Side, she had indicated that the Opposition would not accept even this relaxation without, at any rate, an impartial and open examination of the issues involved. His first memorandum (C(76) 9) therefore proposed that an independent committee of inquiry should be set up along the lines of the Masterman Committee which reported in 1949.

The question of the post-entry union shop raised in his second memorandum (C(76) 10) was more difficult. The pressures for this had come chiefly from the Civil and Public Services Association (CPSA), whose National Executive would be considering strong resolutions in support of the closed shop principle at its meeting in mid-March. Although there was no real unanimity amongst the other unions on the subject, they were all anxious to secure the elimination of "free riders" and to maximise the payment of contributions to their funds. The problems posed for the Civil Service by the closed shop principle included both the potential conflict of loyalties and the
implications for civil servants who might refuse to join a union. Since however it was the Government’s legislation which had opened the way to Staff Side pressure on this front, it would be difficult to reject the principle of a closed shop from the outset or to refuse to negotiate on it. He believed, therefore, that the best course would be to open the subject to public debate in the same way as the issue of political activities. He had reason to think that having shown initial hostility to this course of action, the CPSA would come to acquiesce in it. But it would be important that a decision to refer the matter to an independent committee of inquiry should be announced before the CPSA’s National Executive meeting in mid-March. He had considered whether the two issues should be dealt with by the same or by separate committees of inquiry: he himself favoured a single committee both because of the manpower and cost implications and because he believed that a single committee would be more likely to arrive at a balanced view.

In discussion some Ministers argued that both issues should be settled by the Government, without reference to an independent inquiry, the first as a matter which should be decided simply in terms of the public interest and the second as a matter which properly fell to the Government as employer. A substantial majority, however, took the view that, particularly in the light of the Staff Side’s request and the attitude of the Opposition, it would be reasonable to refer the question of political activities to an independent committee of inquiry. A further consideration in favour of this course was the length of time which had elapsed since the subject was last reviewed by the Masterman Committee. Doubt was however expressed whether, as the Lord Privy Seal had suggested, it would be appropriate for the committee to be chaired by a Law Lord (rather than, for example, a distinguished layman with experience of public administration) or, so far as political or other representation was concerned, to be drawn primarily from the ranks of the retired.

As regards the proposal that a committee of inquiry should also deal with the question of applying the closed shop principle to the Civil Service, it was pointed out that, despite misrepresentation to the contrary, the legislation promoted by the Government did not favour this principle but merely allowed its application to be the subject of negotiation between employers and employees. To treat the Civil Service differently in this respect by referring the question to a committee of inquiry would thus be contrary to the Government’s general policy. This would be resented by the Trades Union Congress and also by other sections of the community, eg newspaper editors, who would like their case to be similarly distinguished. The right course was for the Government as an employer to negotiate on the closed shop principle and to consider what exceptions or adaptations to the general principle might be required in the case of the Civil Service.
It was however also strongly argued that the question of a post-entry
union shop in the Civil Service raised unique issues which touched at
the heart of public administration and at the reputation of the Service
for impartiality and loyalty to the Government of the day. There was
a good case for firmly resisting demands for a closed shop,
particularly since there was no evidence of weakness in the
organisation and strength of unions within the Civil Service, which a
closed shop might be designed to remedy. Indeed if the Government
rejected a closed shop on constitutional grounds there was reason to
think that this would command considerable sympathy with the rank
and file.

THE PRIME MINISTER, summing up the discussion, said that the
Cabinet were clearly in favour of the proposal to refer the question of
political activities to an independent committee of inquiry. In the
light of the discussion he would consider further, in consultation with
the Lord President of the Council, the Chancellor of the Exchequer
and the Lord Privy Seal, the composition and terms of reference of
such a committee. Equally clearly the Cabinet rejected the proposal
to refer the question of a post-entry union shop to a committee of
inquiry and felt that the Government should reach its own decision on
the matter. The Cabinet had not reached a final view on what that
decision should be: and he would arrange for a representative group
of Ministers to consider the issue further and to recommend to the
Cabinet the line which the Government should take with the
National Staff Side.

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 Secretary of State for Foreign and Commonwealth Affairs and the Secretary of State for the Home Department (C(76) 2 (Revise)) covering a draft White Paper on direct elections to the European Assembly.

The Foreign and Commonwealth Secretary said that since the Cabinet last discussed the matter in January he had been in consultation with the political Parties. The Ulster Unionists were in principle opposed to direct elections; Plaid Cymru wanted Wales to have her own voice in the Community's institutions, were opposed to direct elections, but if they took place would like to know how Welsh representation compared with that of smaller Member States; the Liberals supported direct elections, were anxious about the representation of Scotland, Wales and Northern Ireland in relation to that of the small Member States, stressed the need for a link between Assembly members and the British Parliament, and urged that some form of proportional representation was required; the Conservative Party and the relevant sub-committees of the National Executive Committee of the Labour Party had deferred comment until after publication of the White Paper; and the Scottish Nationalist Party had said that the first priority was direct Scottish representation on all the Community's institutions, endorsed the principle of direct elections, but reserved their position in practice until Scotland was in their view appropriately recognised.

The proposed White Paper was in three parts. The first part described the current situation, the second discussed matters requiring Community decision, and the third listed issues for subsequent national decision. It did not debate whether or not there should be direct elections - we were committed to them by our accession to the European Economic Community (EEC), confirmed by the referendum, and reiterated by the Prime Minister and himself following the Cabinet decision the previous November. Discussion should be concentrated on the second part of the White Paper, and particularly on the total size of the Assembly and its distribution between countries. This was bound to give rise to much dispute. There would have to be some weighting in favour of the smaller countries, but the present Assembly proposals were weighted heavily in their favour and the contrast between the representation proposed for Luxembourg, the Irish Republic and Denmark with that likely to come from Scotland, Wales and Northern Ireland was very stark. He believed therefore that we should strive to achieve a distribution giving a closer relationship between seats and population.

The French felt the same; they did not in any case wish to see rapid progress towards direct elections and this issue could easily delay the introduction of the system beyond 1978.
He proposed that in the light of the Cabinet's discussion he and the Home Secretary should present the White Paper the following week, that the Lord President of the Council should arrange for it to be discussed by the Parliamentary Labour Party (PLP) and then by the House of Commons, in time to give guidance to the Prime Minister and himself when they dealt with this matter at the European Council meeting on 1 and 2 April.

In discussion it was argued that the proposal raised a number of issues of fundamental importance which required thorough discussion. The timetable indicated in the White Paper, which envisaged finalising the terms of a draft Convention on direct elections at the European Council on 1-2 April, was far too precipitate. The commitment in the Treaty of Rome was to "elections by direct universal suffrage in accordance with a uniform procedure"; but the Member States had deferred that commitment and there was no reason why they should not similarly defer a move in that direction. Moreover on examination the proposals set out in the draft White Paper were vague - more suitable to a Green Paper at best - the debates in the PLP and Parliament would be diffuse, and it would be very difficult for the Prime Minister and the Foreign and Commonwealth Secretary to know what their mandate was at the European Council. The introduction of direct elections would move us towards a federal European state and would confuse democratic legitimacy, introducing a separate centre of sovereignty with its own set of representatives, claiming the elected right to speak for the United Kingdom. There was no popular pressure for such a development. The increased legitimacy given to the European Assembly would be bound to lead in due course to increases in its powers, and thus to the down-grading of Parliament. Direct elections would moreover encourage the tendencies towards the break-up of the United Kingdom, a process which would be exacerbated by the sharp disparity between representation at the European Assembly of Scotland, Wales and Northern Ireland with that of independent Member States of similar size. All these issues, together with the considerable organisational difficulties involved, should be considered by a Speaker's Conference or similar body.

On the other hand it was argued that we had already accepted the commitment to move to direct elections and the draft White Paper was an honest exposition of the associated questions which had to be faced. Although, as a matter of record, the European Council had set work in hand with a view to finalising the text of a draft Convention on direct elections at the next European Council in April, in fact it was most unlikely that final decisions would be taken then, and possibly might be delayed until much later. The illustrative draft Convention set out in Annex B to the White Paper came from the
Assembly, and in no way committed the Government. The text of the draft White Paper should be amended to make this plain, and to avoid any implication that we were committed to finalising the text in April. These changes would make it even more obvious that the Government's proposals were mainly of a Green Paper rather than a White Paper nature. The representation of Scotland, Wales and Northern Ireland in relation to the smaller Member States would admittedly be a difficult issue, on which we would have to press our views. The introduction of direct elections, far from increasing the powers of the European Assembly, would in the immediate future have the opposite effect. The question of increased powers would be deferred until direct elections had been instituted, and then the Governments of Member States would be more chary about the granting of additional powers. It was important that the Prime Minister and the Foreign and Commonwealth Secretary be in a position to influence the discussion on direct elections which would begin at the European Council in April.

In further discussion the following additional points were made:

a. The Foreign and Commonwealth Secretary had suggested that the Cabinet should spend a whole day at Chequers after the Budget on considering our objectives in the EEC. This proposal was to be welcomed. Discussion at the European Council in April would inevitably not reach finality: and the issue could thus be discussed more fully at Chequers before any irrevocable decision was taken.

b. Against the background of the considerable changes in the Community which would follow the admission of Greece and possibly certain other Mediterranean countries direct elections would in practice be of less importance than had been argued.

c. Elections to the European Assembly on a single day, or short spread of days, between national general elections could cause considerable complications for domestic politics if the election went against the Government of the day. The relationship of elections to the European Assembly to elections to local authorities and the Scottish and Welsh Assemblies required further thought.

d. There had been no consideration of other important issues such as the methods of election, the organisation and financing of the European elections, and the relationship between members of the European Assembly and the United Kingdom Parliament. It was pointed out however that these matters fell within the area for national decision, which would
follow the issues for Community decision. The principles and basic framework of direct elections should be determined first, and these issues later.

e. Further thought should be given to the question of nationals of other Member States voting in this country in the European Assembly elections.

f. Since we had the strongest democratic traditions, we should gain in influence in the European Assembly, particularly on the control of expenditure and on the representation of the general will of the people rather than of pressure groups for individual interests.

The Cabinet then considered the text of the draft White Paper. Amendments were agreed to paragraph 7 and Annex B to make plain that the draft Convention summarised there came from the European Assembly and that the Government was not committed to it; to paragraphs 10, 27 and 42 to avoid the implication that the Government was committed to finalising a text of the Convention at the European Council on 1-2 April; and to paragraph 18 to strengthen the reference to the need to take into account the relationship of the representation of the smaller Member States with that of the constituent parts of larger Member States. Other amendments were also agreed.

THE PRIME MINISTER, summing up the discussion, said that a clear majority of the Cabinet agreed that the Foreign and Commonwealth Secretary and the Home Secretary should present their proposals to Parliament the following week, but as a Green Paper rather than a White Paper, and as amended in discussion. The Lord President of the Council should arrange for the Green Paper to be discussed by the PLP and then to be debated in Parliament. Following this the Cabinet would have opportunity to discuss the line to be taken at the European Council on 1-2 April, and thereafter there would be the proposed whole-day discussion of our EEC objectives before final decisions on the Convention on direct elections were taken.

The Cabinet -

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

Cabinet Office

12 February 1976
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street on
THURSDAY 19 FEBRUARY 1976 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 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 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 Fred Mulley MP Secretary of State for Education and Science

The Rt Hon Robert Mellish MP Parliamentary Secretary, Treasury

The Rt Hon Lord Elwyn-Jones Lord Chancellor

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 Eric Varley 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 for Agriculture, Fisheries and Food

The Rt Hon Lord Shepherd Lord Privy Seal

The Rt Hon Reginald Prentice MP Minister for Overseas Development

The Rt Hon John Silkin MP Minister for Planning and Local Government

SECRET
THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Edmund Dell MP Paymaster General (Item 8)
The Rt Hon Joel Barnett MP Chief Secretary, Treasury (Items 5 and 7)

Mr John Smith MP Parliamentary Under-Secretary of State, Department of Energy (Item 7)

SECRETARIAT

Sir John Hunt
Mr G R Denman (Items 1-3)
Mr J A Hamilton (Items 7 and 8)
Mr W I Mclndoe (Items 1-6)
Mr E J G Smith (Items 1-3)
Mr J A Marshall (Items 7 and 8)
Mr A D Gordon Brown (Items 4 and 5)

CONTENT S

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PARLIAMENTARY AFFAIRS</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Confidential Final Revises</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>THE FISHING INDUSTRY</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>FOREIGN AFFAIRS</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Rhodesia</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>REVIEW OF PARLIAMENTARY PROCEDURE</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>STUDENTS' FINANCE AND UNEMPLOYMENT</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>PRIVATE PRACTICE IN THE NATIONAL HEALTH SERVICE</td>
<td>8</td>
</tr>
<tr>
<td>7</td>
<td>WINTER FUEL BILLS</td>
<td>11</td>
</tr>
<tr>
<td>8</td>
<td>DEVELOPMENT LAND TAX</td>
<td>13</td>
</tr>
</tbody>
</table>
1. The Cabinet were informed of the business to be taken in the House of Commons during the following week.

THE PRIME MINISTER said that he had for some time been concerned about the fact that copies of Confidential Final Revises (CFRs) of White Papers sent to the Press were reaching selected Members of Parliament and others before publication. CFRs were by custom sent to the Press only so that the Press could have an opportunity of assimilating their content before publication; but following the publication in November of the White Paper on Devolution it had become apparent that some MPs, including the Scottish Nationalists and Opposition Front Bench, had been given copies of the CFR by the Press. This had caused some resentment, particularly with backbench MPs on the Government side. The issue had now arisen again in relation to the Public Expenditure White Paper; the leader of the Opposition had asked the Treasury for a copy of the CFR and the Prime Minister had agreed to this in view of the likelihood that a copy would in any case have reached her from some other source. On this occasion, however, there was a further question of principle involved in that the City columns of the newspapers had been reporting, up to the previous evening, that both equity and gilt-edged markets were stagnant pending publication of the Public Expenditure White Paper. This might imply that the White Paper had, to a certain extent, become comparable with the Budget, and that money could be made out of advance knowledge of the contents. It had to be recognised that the system of CFRs was for the convenience of the Government, particularly where the matter was complex and it was desirable that reports should be accurate, as well as of the Press. There was a strong case, therefore, for continuing the system but, in the light of the circumstances surrounding the publication of the Public Expenditure White Paper, it was for consideration whether it should be operated on a more selective basis. His tentative view was that this matter could appropriately be examined by a Select Committee of the House of Commons, possibly by the Select Committee which it was proposed to set up in order to review Parliamentary procedure.

In a brief discussion, there was general agreement that the present system of operating CFRs should be further examined. Some doubt was expressed, however, whether the proposed Select Committee on Parliamentary procedure would be the best instrument for considering matters of this kind, given the much wider issues which it was proposed that this Select Committee should cover.
The Cabinet -

Took note that the Prime Minister, in consultation with the Lord President of the Council, would consider further how the handling of Confidential Final Revises should best be examined.
2. In the course of a short discussion concern was expressed about the future of the United Kingdom's fishing industry. This concern extended beyond the possible consequences of the unresolved dispute with Iceland. The Commission of the European Economic Community (EEC) had apparently put forward a new document, suggesting that a fishing zone only 12 miles wide should be reserved off our coasts for our industry. Although this might not be the Commission's last word on the matter, this suggestion would cause despair in the industry. There was urgent need of an examination of the long-term implications of the whole complex of the extension of fishery limits and the development of the EEC's Common Fisheries Policy.

THE PRIME MINISTER said that he had already discussed this aspect with the Foreign and Commonwealth Secretary. They agreed that there was need for a comprehensive review of the issues affecting the fishing industry arising from the Common Fisheries Policy, the United Nations Law of the Sea Conference, negotiations on fishing rights with countries outside the EEC and any other matters relevant to reaching a view on the future size and shape of our fishing industry. He had in mind therefore to establish a small Ministerial Group to oversee the work currently being undertaken in the relevant Ministerial Committees such as the Ministerial Committee on European Questions (EQ) and the Sub-Committee on the Sea of the Defence and Oversea Policy Committee (OPD(S)).

The Cabinet -

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

3. The Cabinet considered Rhodesia. Their discussion and the conclusions reached are recorded separately.
4. The Cabinet had before them a memorandum by the Lord President of the Council (C(76) 15) containing proposals for the establishment of a House of Commons Select Committee to carry out the major review of the practice and procedure of Parliament mentioned in The Queen’s Speech.

THE LORD PRESIDENT OF THE COUNCIL said that the Cabinet had agreed on 15 January that the time was ripe for a major review of the kind he had proposed. When the House of Commons debated this proposal on 2 February there had been general agreement on the need for such a review. He had, however, received little support for his suggestion that the Committee should include as full members a significant minority from outside the House, and, as an alternative, he proposed that the terms of reference should empower the Committee to invite selected outsiders to attend meetings and to take part in their deliberations and in the examination of witnesses, but not to vote. The operative part of the terms of reference was the first paragraph, which charged the Select Committee to make recommendations for the more effective performance of the functions of the House, wording which would emphasise the radical nature of the review. This paragraph should not be interpreted as covering the method of electing Members of Parliament, but it was otherwise very wide. It would enable the Select Committee to begin by considering what the functions of the House were, and would include such matters as the size of the House (which could lead on to the question of the size of Scottish representation) and those features of the present arrangements which were thought to contribute to the very small proportion of women Members. His memorandum did not cover the question of the size and membership of the Select Committee, on which there would need to be the usual consultations.

In discussion the following points were made -

a. It was argued that the proposal to enable a small number of outsiders to play a full part in the deliberations of the Select Committee, excluding only the power to vote, seemed close to the suggestion that outsiders should be full members, which had not found favour in the House. The effect might be to give disproportionate weight to the views of a very small number of people, and it would be better that assistance to the Committee by outsiders should be confined to the giving of evidence. It seemed particularly doubtful whether outsiders should take part in the questioning of witnesses, including Ministers. On the other hand, it was urged that a small number of outside persons would have a very valuable role to play in the deliberations of a Committee otherwise composed wholly of Members of Parliament, and that the complete abandonment of this idea would be a mistake.
b. The Select Committee’s work was likely to take some time, but its establishment need not hold up all reform meanwhile. The Committee itself would have power to submit interim reports on any urgent matters, and the normal sessional Procedure Committee could be set up, if need be, to consider any short-term or minor reforms.

c. The conduct of private business was excluded from the terms of reference because it was a large and highly specialised area, which could be examined later in the light of the Select Committee’s recommendations.

d. The Select Committee’s remit would include the procedure for enacting Northern Ireland legislation, most of which at present took the form of Orders in Council discussed for only 1½ hours. It would be unfortunate if the Committee recommended that Northern Ireland legislation should be dealt with in the same way as other legislation.

e. The Select Committee would be able to sit jointly with any corresponding Select Committee set up by the House of Lords.

f. The Select Committee must be expected to consider proposals for expanding the role of Select Committees in various ways, for example by the conferment of a pre-legislative role. Such developments would need to be watched with care, in view of the very large amount of work for Ministers and their Departments already caused by Select Committees, and of the problems which had arisen in connection with requests by Select Committees for oral evidence from Ministers and others, and with visits overseas.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that a Select Committee should be set up with the terms of reference proposed by the Lord President of the Council, except that, as a compromise between the conflicting points of view which had been expressed, the penultimate paragraph should empower the Committee to invite outside persons to attend its meetings and to participate in its deliberations, but not to take part in the examination of witnesses. The Lord President would consult him further about the composition of the Select Committee which would have to be considered with great care. When the Lord President of the Council and the Chief Whip had prepared a draft of the Government’s initial written evidence to the Select Committee, this draft should be brought before the Cabinet, which would discuss the written evidence to be given to the Committee and the arrangements for giving oral evidence. He was in touch with
Mr du Cann, as chairman of the informal liaison committee of Select Committee Chairmen, about current problems relating to the operations of Select Committees, including the questions of overseas visits and of ensuring that only relevant Ministers appeared to give oral evidence; he would inform the Cabinet of the outcome of these discussions when they were concluded. He hoped it would be possible to establish that the normal power of Select Committees to adjourn from place to place should be interpreted as relating only to the United Kingdom, and that any overseas visits by a Select Committee should require a special motion passed by the House.

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 be guided accordingly.
5. The Cabinet had before them a memorandum by the Lord President of the Council (C(76) 16) on possible schemes to keep students out of unemployment offices during the coming Easter vacation.

THE LORD PRESIDENT OF THE COUNCIL said that on 5 February the Cabinet had asked him, in consultation with other Ministers concerned, to oversee an urgent review by officials of possible means of keeping students out of supplementary benefits offices in the coming Easter vacation. Four possible schemes had been examined, all of which presented serious difficulties. The one which seemed to offer the best hope of a solution would be to ask local education authorities to pay students their summer term grant on or after the beginning of the next financial year. Even this scheme, however, was open to strong objections, the most substantial being that the necessary amending regulations might well be ultra vires. In addition, the scheme could not be expected to lead the Supplementary Benefits Commission to refuse benefit to students claiming it; and to invite local authorities to implement this scheme could seriously damage attempts to secure their co-operation in the Government's general economic policies. He had accordingly reached the conclusion that the best that could be done for the coming Easter vacation would be to publish the student unemployment figures separately and to announce this intention, as already agreed, when this month's unemployment figures were published; and at the same time to indicate the Government's intentions for student support in the next academic year on the lines of the scheme which the Social Services Committee had already approved.

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the scheme for the next academic year would require amending regulations the purpose of which must be seen to flow from the Education Acts under which they were made. It accordingly seemed appropriate that he should make the announcement of this scheme. The Law Officers had advised that any suggestion that the object of the scheme was to keep students out of supplementary benefits offices might lead to a challenge in the courts. There should be no implication therefore that the amending regulations were being made for non-educational reasons of this kind.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet agreed with the conclusions in the Lord President of the Council's memorandum. The announcement of the new arrangements for the support of students during vacations in the next academic year should, however, be made separately from the announcement of the new arrangements relating to the unemployment
statistics. The former announcement should be made as soon as possible by the Secretary of State for Education and Science, and the National Union of Students should be informed in advance. It might be better to announce the exclusion from the unemployment statistics of adult students registering for vacation employment on Monday, 23 February, before the publication of the statistics themselves on 24 February. He himself, in consultation with the Secretary of State for Employment, the Secretary of State for Social Services, the Secretary of State for Education and Science, the Secretary of State for Scotland and the Chief Secretary, Treasury, would settle the precise form and timing of these announcements.

The Cabinet -

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

6. The Cabinet considered a memorandum by the Secretary of State for Social Services (C(76) 19) about private practice in the National Health Service (NHS).

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that, following the Cabinet discussion on 27 November, there had been protracted discussions, through the medium of Lord Goodman, with a widely representative group of leaders of the medical and dental professions. These had resulted in a package of proposals for the separation of pay beds from the NHS; and it was only at the very end of the detailed negotiations that the representatives of the professions had refused to identify themselves with the package in the sense of recommending it to consultants. Instead, the proposal had been put to a ballot of consultants the results of which had now been declared. The significant features of the results were that only 55 per cent of consultants took the trouble to vote; of these, only 2,048 agreed to submit undated resignations from the NHS; and 1,834 voted in favour of the separation of pay beds. The indications were, therefore, that feelings against the Government's policy were a good deal less pronounced than the British Medical Association (BMA) had claimed. In the light of the ballot, however, the central BMA consultants' committee had made unhelpful and temporising recommendations to the BMA Council, as set out in Annex 2 to her memorandum. This would be considered by the BMA Council at its meeting on 24 February.

The Prime Minister had at an earlier stage indicated to the profession that the Government were committed to embodying the Goodman proposals in legislation. The Secretary of State for Social Services was reasonably satisfied, from her recent contacts with the National
Executive Committee of the Labour Party and the health unions, that although there were a number of features in the Goodman proposals which the unions disliked, they would be likely to accept that the main purpose of separating pay beds from the NHS was secured, that the proposal for an independent Board, on which the unions would be represented, could be turned to their advantage and that a significant step forward had been taken towards the concept of common waiting lists. Any delay in introducing legislation, however, would be very strongly resented and would run a real risk of precipitating further industrial action.

In discussion, it was pointed out that the Government's commitment in The Queen's Speech was to the introduction of legislation during the course of the Session, not necessarily to its enactment. The legislation would undoubtedly be contentious, and it was important that the Government should not create additional difficulties by exposing themselves to accusations of bad faith as would happen if the consultations, which had been provided for in the Goodman proposals, were seen to be inadequate or unduly rushed. These concerned the selection of the 1,000 beds to be covered in a schedule to the Bill and the method of control of developments in the private sector. The negotiations on the Goodman proposals represented a considerable achievement in devising a means of implementing the Government's policy on the basis of a reasonably wide measure of agreement, and this should not now be prejudiced by publication of a Bill containing provisions, in particular a reserve power of control of the private sector, which did not follow full consultation. On the other hand, considerable sympathy was expressed with the view that in the interests of maintaining an effective NHS and avoiding the risk of a further breakdown through industrial action, legislation should be introduced as soon as possible, preferably with a view to a Second Reading before Easter. As regards the selection of the 1,000 pay beds to be specified in a Schedule to the Bill, it would be enough, before the Bill was published, to have identified the totals for each Area Health Authority, on the basis that the Schedule could be amended during the passage of the Bill. Indeed, the advice of Parliamentary Counsel was that more detailed specification of the pay beds, hospital by hospital, would run the risk of hybridity because of difficulties inherent in a narrow application of the criteria for phasing out pay beds. It was also suggested that it would facilitate consultations with the medical profession about the method of control of the private sector, and would be presentationally helpful, if the Secretary of State for Social Services were to publish a White Paper on this aspect at the same time as the publication of the Bill which, in these circumstances, would not contain any provision for a reserve power, though this could subsequently be added by amendment at Report Stage.
THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that a Bill, embodying the Goodman proposals, should be introduced with a view to Second Reading before Easter and should be considered by Legislation Committee not later than 16 March. The Bill should not contain any provision for a reserve power of control of developments in the private sector, but the Secretary of State for Social Services should separately publish a White Paper in connection with her consultations with the professions and other interests concerned which could include this aspect, Subject to these consultations, and to further consideration by the Cabinet in the light of them, an amendment, providing for such a power, could be introduced at the Report Stage of the Bill. The long title of the Bill should be framed in such a way as to allow for an amendment of this kind. Meanwhile, the Secretary of State for Social Services should begin consultations with the BMA and the unions on both the points identified in the Goodman proposals as requiring consultation, and with the NHS authorities on the selection of the 1,000 beds.

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, in consultation as necessary with the Lord President of the Council and the Chief Whip, to proceed accordingly.
7. The Cabinet had before them a memorandum by the Secretary of State for Social Services (C(76) 17) about the problems of poor people faced with rising fuel bills, and a memorandum by the Chancellor of the Exchequer (C(76) 18) about the potential demands on the Contingency Reserve.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that there had been heavy increases in fuel prices over the last two years, and she would be failing in her duty if she did not draw the attention of Cabinet to the Government’s failure to protect the poorest members of the community against these rises in their heating bills. One of the root difficulties was the differences in the rates of increase: since October 1973 domestic gas prices had risen by 46.5 per cent and domestic coal prices by 61.8 per cent but the price of electricity in the home had risen by 96.4 per cent, while oil and paraffin had increased by 117.9 per cent. These widely differing rates of increase made it extremely difficult to set up arrangements which would cover all cases of hardship. The uprating of social security benefits took account of a mix of fuel price increases, but inevitably failed to cover adequately the impact of increased fuel bills on many of the recipients. Supplementary benefits were only available to those not in full-time work; not all pensioners received Supplementary Benefit; and not all recipients of Supplementary Benefit received the special heating allowances — indeed, only about one pensioner in ten got the present allowances. It had been agreed in the Economic and Industrial Policy Committee that the allowances would be increased to take account of the forthcoming round of fuel price increases, but this would add only 78 pence per quarter to the allowances, and would be regarded as derisory. She therefore recommended to her colleagues that there should be a payment of a £10 tax free bonus to some 10½ million people, including all retirement and supplementary pensioners, and all those in receipt of widows benefit, invalidity pension and attendance allowance, as well as those on a continuing supplementary allowance and the recipients of the Family Income Supplement.

THE CHIEF SECRETARY said that the report on the Contingency Reserve provided background against which the proposal of the Secretary of State for Social Services should be considered. He was sure that all members of the Cabinet would wish to avoid erosion of the difficult major expenditure decisions which had recently been taken. Table 1 attached to the Chancellor of the Exchequer’s paper (C(76) 18) demonstrated that the potential claims on the Contingency Reserve in 1976-77, including the £105 million which the Secretary of State’s proposal would cost, amounted to slightly more than the total of £700 million (£875 million at 1976-77 prices) which was provided for in the Public Expenditure White Paper. There was thus a danger of the Reserve for 1976-77 being
over-committed before the financial year had begun. He pointed out that in their discussion of public expenditure priorities at Chequers in August of the previous year, the Cabinet had agreed that their aim should be to make social benefits more, and not less, selective; but the proposal to pay a £10 bonus to a wide range of people in varying circumstances, some of whom were already more than covered against higher fuel bills through upratings was completely non-discriminatory. There was no need for the Government to undertake this expenditure for political reasons since their record of what they had done for the pensioner since taking office was a very good one, the benefits for a married pensioner, for example, having been improved by some 13.7 per cent while the take-home pay of the worker on average earnings had increased by only 1 per cent. The special heating allowances, which went to half of the existing recipients of Supplementary Benefit, had been increased by 83 per cent since the Government took office. He saw no justification for spending £105 million on the bonus payment which had been proposed.

In discussion it was suggested that, while the payment of the proposed bonus was not the right solution, there nevertheless was a real and difficult problem which required further consideration. More increases in public sector prices, including electricity, were in the pipeline, and there would be advantage if the Cabinet could consider possible ways of modifying the impact of these on the poorer section of the community in a comprehensive fashion, but without losing sight of the need for greater selectivity. The Economic Policy Committee had already examined the possibility of restructuring tariffs so as to assist the poor, and had concluded that there was no satisfactory answer through that route. It had been agreed that, on wider grounds, it was not possible simply to hold down public sector prices. Now it seemed that there was no satisfactory way of helping through social security benefits. One possibility might be to improve the discretionary heating allowances more than had so far been envisaged. This, however, would only be one possibility and it was desirable that Ministers collectively should consider the whole problem. Indeed, the opportunity might be taken to cover all public sector price increases, including bus fares, which were important for many people.

THE PRIME MINISTER, summing up the discussion, said that while sympathising with the difficulties to which the Secretary of State for Social Services had drawn attention, the Cabinet did not agree that a £10 bonus should be paid to assist poorer people to meet rising fuel bills. But there was need for a wider study covering all possible ways of mitigating the impact of public sector prices upon those least able to cope with the increases. It would be appropriate for this to be considered by the Ministerial Committee.
on Economic and Industrial Policy, who, if they were not able to reach agreement, could bring it back to Cabinet. The Secretary of State for Social Services should be associated with the Committee in that work.

The Cabinet -

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

2. Invited the Chancellor of the Exchequer to bring the problem of assisting poorer people to cope with the consequences of higher public sector prices before the Ministerial Committee on Economic and Industrial Policy, for resolution there or further reference to the Cabinet if necessary.

8. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C(76) 14) to which was attached a memorandum by the Paymaster General setting out certain proposals on Development Land Tax; and a memorandum by the Minister of Agriculture, Fisheries and Food (C(76) 20) commenting on the proposed abandonment of roll-over relief.

THE PAYMASTER GENERAL said that at their meeting on 5 February the Cabinet had agreed that Development Land Tax (DLT) should be introduced at 80 per cent, but that the limited form of roll-over relief at present granted on Development Gains Charge should be applied to DLT. The Cabinet had, however, given him and the Minister for Planning and Local Government authority to consider as a possible alternative to the 80 per cent rate, the introduction of a two tranche arrangement, whereby the first band of any development value realised would be subject to a lower rate of tax than 80 per cent. As a result of discussions with the other Ministers concerned he and the Minister for Planning now put forward the compromise proposal that, up to 31 March 1979, there would be a tranche of £150,000 of development value realised in a year (over and above the exempt £10,000) which would be taxable at 66% per cent, the balance being charged at 80 per cent; but that at the same time there should be no roll-over relief. In his view this compromise would go a good way to overcoming the fear that an initial rate of tax of 80 per cent would lead to a drying up in the supply of building land. At the same time it avoided conceding too much on large developments. He appreciated that the Minister of Agriculture would prefer to retain...
roll-over relief; but pointed out that the compromise arrangement on the rate would be useful to agricultural land owners, and there were of course other tax concessions, as well as grants, to encourage agricultural investment. It was true that the two tranche arrangement was a temporary one, lasting only three years; but then roll-over relief would itself have been only temporary, disappearing when sales at current use value were established practice. He recommended the compromise arrangement to his colleagues.

THE MINISTER OF AGRICULTURE said that in his view the arrangement for roll-over relief, which was only a deferment of a tax liability, was a better system for encouraging more agricultural investment. He would be willing to accept the two tranche proposal, with a reduced rate of tax for the first tranche; but he saw no reason why the Cabinet should reverse their previous decision on roll-over relief.

In discussion it was pointed out that the compromise proposed was a good deal more generous to the seller of land than the Government's original White Paper, since it embodied both the reduced rate of tax on £150,000 of development value, worth £20,000, and an additional £5,000 on the exemption. To add roll-over relief to this would be to go too far. The Community Land Scheme had been put forward on the basis that the benefits would accrue to local authorities, and the introduction of roll-over relief would work in the opposite direction. Some scepticism was expressed on whether in fact the compromise arrangement would appreciably increase the supply of building land - indeed, there might be a danger that sellers would seek to phase their sales over the three year period so as to obtain the maximum advantage from the two tranche arrangement, thereby actually reducing the amount of land coming forward.

THE PRIME MINISTER, summing up the discussion, said that there was a clear majority in favour of the compromise proposal which had been put forward by the Paymaster General and the Minister for Planning and Local Government. This meant that the first £150,000 of development value realised (over and above the £10,000 exemption) would be charged Development Land Tax at 66\text{\%} per cent, the balance being charged at 80 per cent. There would be no roll-over relief.

The Cabinet -

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

2. Invited the Paymaster General to be guided accordingly in the preparation of the Development Land Tax Bill.

Cabinet Office
19 February 1976

CONFIDENTIAL
In reply to a question about the situation in Rhodesia THE PRIME MINISTER said that this was causing considerable concern. So far Mr Smith had been completely intransigent. The Foreign and Commonwealth Secretary had already sent a strong message to him, and, depending on his reaction, the possibility was now being considered of sending a senior emissary to Salisbury to urge flexibility on him in his negotiations with Mr Nkomo. There was just a possibility that Mr Smith might now wish us to become involved in his discussions with Mr Nkomo.

In discussion it was suggested that, if Mr Smith were to show any sign of a more co-operative attitude, he might seek some undertaking of support from us in return. It would be most undesirable to offer this. In any case we did not have the necessary forces for effective military intervention in Rhodesia, even though in international law we remained the responsible Government. It was particularly unfortunate that the impression was being given in some sections of the media that in certain circumstances we might have to intervene militarily. In this connection it was noted that should Rhodesia be invaded, and especially if the invasion were led by Russian or Cuban forces, there could well be a problem over mercenaries or volunteers seeking to fight in Rhodesia.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet would of course consider the matter fully should the situation deteriorate further. In the meantime it was of the highest importance to maintain total secrecy about both any possibility of sending an emissary to Mr Smith or of our involvement in his talks with Mr Nkomo. The Foreign and Commonwealth Secretary would be arranging for the media to be given a clear briefing against suggestions that we might intervene militarily.
The Cabinet -

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

Cabinet Office

19 February 1976
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on

THURSDAY 26 FEBRUARY 1976
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 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 Anthony Wedgwood Benn 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 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 Fred Mulley MP
Secretary of State for Education and Science

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

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 Eric Varley 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

The Rt Hon Reginald Prentice MP
Minister for Overseas Development

The Rt Hon John Silkin MP
Minister for Planning and Local Government
ALSO PRESENT

The Rt Hon David Ennals MP
Minister of State for Foreign and Commonwealth Affairs

SECRETARIAT

Sir John Hunt
Mr G R Denman
Mr T F Brenchley (Item 2)
Mr W I McIndoe (Item 1)
Mr W R Tomkys

CONTENTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PARLIAMENTARY AFFAIRS</td>
</tr>
<tr>
<td>2.</td>
<td>FOREIGN AFFAIRS</td>
</tr>
<tr>
<td></td>
<td>Rhodesia</td>
</tr>
</tbody>
</table>
1. The Cabinet were informed of the business to be taken in the House of Commons during the following week.

2. The Cabinet considered Rhodesia. Their discussion and the conclusions reached are recorded separately.

Cabinet Office

26 February 1976
THE MINISTER OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS (MR ENNALS) said that Mr Smith had twice sent indirect messages to the Foreign and Commonwealth Secretary to the effect that he thought that the time had come when it would be useful to have some British involvement in his negotiations with Mr Nkomo for a constitutional settlement. The Foreign and Commonwealth Secretary had sent a telegram to Mr Smith seeking clarification of his attitude and emphasizing that he could see no value in British participation unless Mr Smith were ready to make substantial concessions. Characteristically, Mr Smith had sent an ambiguous reply but the Foreign and Commonwealth Secretary had judged that it contained enough positive elements to make it worth while to explore his position further, but with no commitment whatsoever. This explained the choice of Lord Greenhill as an emissary to Mr Smith: he was neither a Minister nor an official, so there could be no suggestion that he could commit the Government. His brief was to see whether there was any significant movement on Mr Smith's part, but on no account to become involved in the talks between Mr Smith and Mr Nkomo; for that reason he was to avoid meeting them both together. It was highly probable that when Lord Greenhill returned, probably this weekend, he would bring back a negative report. If however he reported positively the Government would need to examine the next step very carefully. In particular it would be necessary to consult the African Presidents, especially President Kaunda of Zambia and President Nyerere of Tanzania, and the Foreign and Commonwealth Secretary might ask Mr Ennals to carry out this consultation: if so, he would not see Mr Smith. Meanwhile news had just reached the Foreign and Commonwealth Office that Mozambique was about to impose economic sanctions on Rhodesia. If true, this would raise some political problems particularly in relation to the size of our aid to Mozambique following economic damage which that country might sustain as a result of imposing sanctions.
In discussion it was argued that it had been unwise to send Lord Greenhill to Rhodesia. All the signs were that Mr Smith was trying to manoeuvre us into a situation where we would be committed to protecting the White Rhodesians, whilst a speech which he had just made indicated no real change of heart towards majority rule. On the other hand, it was argued that the decision to send an emissary in response to Mr Smith’s feelers was the only one open to us. We had a vested interest in a settlement leading to early majority rule; and also a vested interest in such a settlement being reached by peaceful means. We were still responsible internationally for Rhodesia, and it was only right to find out what Mr Smith had to say. The prospects were not however promising and if Mr Smith himself were ready to make genuine concessions he was likely to be rejected by more extreme members of his party. It was significant that there had been no criticism from President Kaunda or President Nyerere of Lord Greenhill’s mission.

In further discussion it was suggested that Mr Smith, by offering concessions, might manoeuvre us into an apparent diplomatic triumph in achieving through us a settlement with Mr Nkomo; and he would then insist on our responsibility to police the agreement. However, it had been made clear that there could be no question of a tripartite agreement: if he had concessions to make he must make them directly to the African leaders, and not through us. Any wider conference was also not in sight at present.

Alternatively Mr Smith and Mr Nkomo might reach agreement through bilateral negotiations and then ask us to recognise the resultant Rhodesian government. This would require a very difficult decision on our part, since it would be a case not only of our recognising the government but of our legitimising it, which could not be done without legislation in Parliament. We should need to consider very carefully whether the agreement reached had sufficiently widespread African support, not only among the different Rhodesian factions but in Africa as a whole.

There would also be great dangers if no agreement was reached between Mr Smith and the African leaders. In the event of large scale fighting we might be faced with an appeal from the White Rhodesians, no doubt supported by some members of the Conservative Opposition, to send troops to protect the white population of Rhodesia on the basis of a "kith and kin" argument. It had been made absolutely clear to the Rhodesians and to the world that no British Government would commit British troops to support the minority in Rhodesia against the majority. Mr Ennals had repeated this point in the House of Commons on 24 February. Apart from this objection of principle, our own defence cuts, together with
the lack of staging posts and likely difficulties in securing overflying rights, made military intervention in Rhodesia even more impossible now than at the beginning of the Rhodesian rebellion. There was also a real danger that the unity of African countries was breaking up, with some moving into a pro-Communist and others into an anti-Communist camp, as had happened over the question of Angola. The dangers of Chinese and Cuban involvement would be very great: but we would have to stand aside from fighting in Africa of whatever sort.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet was not being asked to agree to British intervention in the negotiations between Mr Smith and Mr Nkomo. Lord Greenhill's mission was purely exploratory, and Mr Ennals had made the position very clear in his statement to the House of Commons on the previous day. The Government would have to assess the situation in the light of Lord Greenhill's report and further discussion of hypothetical scenarios at this stage would not be profitable. There was however general agreement that there could be no question of British military intervention.

The Cabinet -

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

Cabinet Office

26 February 1976
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 4 MARCH 1976
at 11.15 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon 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 Anthony Wedgwood Benn 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 William Ross MP
Secretary of State for Scotland

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

The Rt Hon Fred Mulley MP
Secretary of State for Education and Science

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 Eric Varley MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

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

The Rt Hon Lord Shepherd
Lord Privy Seal

The Rt Hon Reginald Prentice MP
Minister for Overseas Development
The Rt Hon Robert Mellish MP  
Parliamentary Secretary, Treasury

The Rt Hon John Silkin MP  
Minister for Planning and Local Government

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Samuel Silkin QC MP  
Attorney General (Item 5)

The Rt Hon David Ennals MP  
Minister of State for Foreign and Commonwealth Affairs

SECRETARIAT

Sir John Hunt
Mr G R Denman (Item 1)
Mr T F Brenchley (Items 2-4)
Mr W I Mclndoe (Items 1 and 5)
Mr E J G Smith (Items 1 and 2)
Mr J D Bryars (Items 3 and 4)
Mr A D Gordon-Brown (Item 5)

CONTENTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PARLIAMENTARY AFFAIRS</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Direct Elections to the European Assembly</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>FOREIGN AFFAIRS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rhodesia</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Spain</td>
<td>4</td>
</tr>
<tr>
<td>3.</td>
<td>STATEMENT ON THE DEFENCE ESTIMATES 1976</td>
<td>4</td>
</tr>
<tr>
<td>4.</td>
<td>NORTHERN IRELAND</td>
<td>6</td>
</tr>
<tr>
<td>5.</td>
<td>THE LAW ON CONSPIRACY</td>
<td>7</td>
</tr>
</tbody>
</table>
1. The Cabinet were informed of the business to be taken in the House of Commons during the following week.

It was agreed that the debate on the Green Paper on direct elections to the European Assembly should be postponed until the week beginning 22 March or possibly until after the Cabinet's whole-day discussion of European matters planned for 26 March provided it could then take place before the European Council on 1-2 April. It was desirable to have the views of the Foreign and Commonwealth Secretary on whether or not to permit a free vote on the motion to take note, and it was in any case desirable to allow more time for consideration of the issues involved.
FOREIGN AFFAIRS
Rhodesia

Previous Reference: CC(76) 7th Conclusions, Minute 2

2. THE MINISTER OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS said that on his return from Rhodesia Lord Greenhill had reported that Mr Smith had shifted his position to some extent, but not far enough to warrant a British initiative. Lord Greenhill himself thought that Mr Smith might be ready to concede majority rule in three years' time, although he had never said so: the officials who went with Lord Greenhill were less optimistic. Mr Nkomo had told Lord Greenhill that he would like to see a British chairman in the talks between himself and Mr Smith, but this was a role which would involve a commitment we could not accept. There were Press stories of some breakthrough in the talks between Mr Nkomo and Mr Smith since Lord Greenhill left Salisbury: we had no confirmation whatever of this, but Mr Chirambano was due in London this weekend and should be able to enlighten us. An important new development had been the decision by the Mozambique Government to close their frontier with Rhodesia and impose economic sanctions. Press accounts that this amounted to a declaration of war by Mozambique were exaggerated. Mozambique had no potential for war with Rhodesia, but the closing of the frontier would certainly have a considerable effect although less now than would have been the case at the time of Mozambique's independence. The Foreign and Commonwealth Secretary had not yet reached a conclusion on Lord Greenhill's report. He would be studying several options, but whichever option he chose would require the support, or at least the acquiescence, of the four African Presidents. A message had just been received from Mr Smith that he wished to send two emissaries to London the following day: but the Foreign and Commonwealth Secretary had not yet decided whether to agree. An early decision was required on aid to Mozambique against the background of the £15 million commitment made by the then Minister of Overseas Development following the Commonwealth Conference in Jamaica last year. Although Mozambique had not taken up that offer at the time, there had been subsequent discussion in which the offer had been modified into a two-phase aid programme, the first to be made available regardless of sanctions and the second only if sanctions were applied by Mozambique. The sum of £5 million had been mentioned for the first phase. The question of the second phase now confronted us and President Nyerere of Tanzania had pressed us to act very quickly. The Commonwealth Secretary General, Mr Ramphal, had called a meeting of the Commonwealth Sanctions Committee that day at which we would be represented.

THE MINISTER FOR OVERSEAS DEVELOPMENT said that for political reasons it was very desirable for our aid to be given under the auspices of the Commonwealth Secretary General and with the participation of other Commonwealth countries. What he envisaged was not a multilateral Commonwealth aid fund, but a series of bilateral aid agreements for which the Commonwealth Secretary
General would provide an umbrella. The question of aid to other countries in the region also needed to be considered. He had in mind the provision of capital aid to Zambia, which would be an innovation, and an increase in the aid given to Zaire. It was not easy for him to find the considerable sums required, but he recognised the strength of the political case for doing so.

In discussion the following points were made -

a. The presentation of the Government's position to the House of Commons had been effective in dissociating the Government from any question of intervention in Rhodesia. There were signs that a deep split on this subject was developing in the Conservative Opposition.

b. There was a likelihood of large-scale fighting in Rhodesia, whether or not the Soviet Union and Cuba intervened. So far it seemed that only small numbers of Cubans had moved to Mozambique from Angola: some weapons had also been transferred.

c. There were some 80,000 citizens of the United Kingdom and Colonies in Rhodesia who had an absolute right to travel to the United Kingdom. In addition there were some 75,000 white Rhodesians who had partial status for immigration purposes. If, say, 20,000-30,000 of these arrived in the United Kingdom as refugees they could present a serious administrative problem. Some discussion of this had already taken place between the Foreign and Commonwealth Office and the Home Office and it was desirable that a contingency plan should be worked out.

d. The aid to be given to Mozambique should not be presented publicly as being compensation to Mozambique for applying sanctions against Rhodesia, on which Mozambique was merely coming into line with United Nations requirements: it should be described as aid designed to strengthen Mozambique's economy. It would be very desirable for all Commonwealth countries to participate in the arrangements made through the Commonwealth Secretary General, even if some of them made purely token contributions.

The Cabinet -

1. Took note of the statement by the Minister of State for Foreign and Commonwealth Affairs.
2. Took note, with approval, of the statement by the Minister for Overseas Development about his plans for aid to Mozambique and other countries in the region.

3. Invited the Foreign and Commonwealth Secretary and the Home Secretary, in consultation with other Ministers as necessary, to prepare contingency plans for the reception of possible refugees from Rhodesia.

Spain

Previous Reference: CC(75) 42nd

Conclusions. Minute 2

THE PRIME MINISTER said that he and the Foreign and Commonwealth Secretary had held discussions with the Spanish Foreign Minister, Senor Areilza. Despite his bad record in the Spanish Civil War, Senor Areilza was one of the two members of the present Spanish Government who were working actively for a pluralist democracy in Spain; he was in close touch with Spanish Socialists. In the discussions with him the Foreign and Commonwealth Secretary and he had emphasised the importance of free elections in Spain at an early date and of freedom for the trade unions. They had also made it clear that Spain could achieve no close relationship with the European Economic Community until genuine democratic institutions had actually come into existence. In this respect the same considerations would apply to Spain as had already been applied to Portugal. Senor Areilza had given them the impression that the Spanish Government intended to continue to suppress the Spanish Communist Party but otherwise planned to make early moves in the direction of freeing the political parties.

The Cabinet -

4. Took note of the statement by the Prime Minister.

STATEMENT ON THE DEFENCE ESTIMATES 1976

3. The Cabinet had before them a memorandum by the Secretary of State for Defence (C(76) 22) to which was attached a draft of the Statement on the Defence Estimates 1976.

THE SECRETARY OF STATE FOR DEFENCE said that in layout the draft attached to his memorandum was similar to previous Defence White Papers. The main issues were treated in Chapter I, including relations between East and West, the military strength of the Warsaw Pact, the North Atlantic Alliance and Britain's contribution to it, and progress in giving effect to decisions taken in the Defence
Review and in the recent review of public expenditure. The objectives of the chapter were to explain our defence policy, to demonstrate to the North Atlantic Treaty Organisation that Britain's contribution to the alliance remained a major one and also to show that in accordance with the undertaking given by the Labour Party in its Election Manifesto a substantial reduction was being made in the resources to be devoted to defence. In 1979-80 alone savings from the Defence Review and the expenditure review would be more than £900 million at 1975 Survey prices.

The remainder of the draft attached to his memorandum dealt with the deployment and operations of the armed forces, defence equipment, the reserve and auxiliary forces, manpower, education and training, and support. Subject to the approval of the Cabinet, he proposed that the Statement on the Defence Estimates should be published on 17 March. There was expected to be Parliamentary time for a two day defence debate before the Easter Recess. Debates on the individual services would take place after the Recess.

In discussion it was suggested that in the section of Chapter I of the Statement dealing with East-West relations the references to the East or Eastern bloc were unclear and should be replaced where possible by references to the Soviet Union or the Warsaw Pact. It was noted that the Secretary of State for Northern Ireland had proposed to the Secretary of State for Defence an amended version of paragraph 29 of the section of Chapter 2 of the Statement describing the operations of the Services in Northern Ireland.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet approved the text of the Statement on the Defence Estimates 1976 subject to the points made in discussion and agreed that it should be published on 17 March.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.
4. THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the Northern Ireland Constitutional Convention was drawing to an ignominious close, having failed in its task of devising a stable form of devolved government for Northern Ireland. The power-sharing executive established on the initiative of the United Kingdom Government after the Sunningdale Conference had been destroyed by the action of the Ulster Workers Council in May 1974. With hindsight it was clear that, although that system was admirable in principle, it had had no chance of working in practice. We had then sought by means of the Convention to give the people of Northern Ireland an opportunity to work out an acceptable form of government for themselves. That approach had also failed, largely because of the low level of political competence of the Convention members. There was no other simple solution. Direct rule would have to continue and the statutory powers would need to be renewed in July. We would need to avoid any sense of crisis or drama and to make clear that there was no question of our withdrawing from our responsibilities.

If the Convention made a report, it would be automatically dissolved once that report was laid before Parliament. However their present intention was not to make a report. They had deliberately postponed their final debate in order to place the onus of dissolution on the Government. But no useful purpose would be served by delay. The United Ulster Unionist Coalition (UUUC) Members of Parliament, Mr Craig, Mr Faulkner's Unionist Party of Northern Ireland and the Social Democratic and Labour Party were at one in wanting an end to the Convention. He therefore proposed to take action that evening to dissolve the Convention by Order in Council and to make a statement to Parliament on the following day which would be pitched in a deliberately low key. It would also make it clear that the proper channel for the people of Northern Ireland who wished to make approaches to the Government would be through their Members of Parliament at Westminster. The immediate reactions in Northern Ireland were difficult to forecast. There could be disturbances during the weekend; and the UUUC might attempt to occupy the Parliament building at Stormont. He was however confident that the situation could be handled by the Royal Ulster Constabulary.

The Cabinet -

Took note, with approval, of the statement by the Secretary of State for Northern Ireland.
5. The Cabinet had before them a memorandum by the Home Secretary (C(76) 23) about the report and draft Bill prepared by the Law Commission on the law on conspiracy in England and Wales.

THE HOME SECRETARY said that the Law Commission’s report was due to be published on 11 March, and the Home Affairs Committee recommended that the Government should announce on publication their intention to introduce the Bill before Easter. The practicability of this course depended on whether the Lord President of the Council could find the necessary Parliamentary time. There was considerable pressure for the reform of this branch of the law and, while the Law Commission proposals were not perfect, they were generally acceptable. Part I of the Bill, dealing with conspiracy generally, including conspiracies relating to trade disputes, was likely to be substantially welcomed by the Trades Union Congress (TUC) and by Government supporters. It was unlikely that the Opposition would vote against a Law Commission Bill on Second Reading. Part II of the Bill, which dealt with squatting (and other aspects of trespass) was very different from the Law Commission’s earlier tentative proposals which had aroused considerable opposition, and should not prove to be particularly controversial. Part III would bring films within the Obscene Publications Acts and make other provisions to replace existing common law offences relating to public morals and decency. This would undoubtedly be controversial and it would be difficult to secure its passage through Parliament in the time available. If, however, legislation this Session were restricted to Part I, the problem would remain that legislation would be expected before long on the matters covered by Parts II and III. Moreover, this Session's Bill would have to contain provisions to keep in force the existing law in the areas covered by Parts II and III, so that amendments on squatting and obscenity would be in order and the Bill might take as long in Committee as the whole Law Commission Bill. In these circumstances the best course would be to aim to get Parts I and II on to the Statute Book this Session, and to deal with Part III by referring it for full examination to a Select Committee. For this purpose Part III might either be included in the main Bill as introduced and subsequently separated, or introduced simultaneously as a separate Bill.

THE LORD PRESIDENT OF THE COUNCIL said that he agreed about the importance of this legislation. It was not, however, in this Session’s legislative programme, and nothing had been said by the Government to arouse expectations that a Bill on conspiracy would be introduced immediately following the publication of the Law Commission’s report in March. As he had already told the Cabinet, the Government owed it to Members of Parliament to start the Summer Recess earlier this year than last year, when Members had only two weeks - less in the case of Scottish Members - with their
families before the school holidays ended. Between Easter and 23 July there would be 54 or 58 sitting days in the House of Commons depending on whether the Whitsun Recess was for two weeks or for one week. Unavoidable business would take 39 of these days, leaving only 15 or 19 days to deal with all the Bills in the pipeline. It was essential that all Bills starting in the Commons should have completed all stages well before the Summer Recess; otherwise the House of Lords would not have time to complete them this Session. Those Bills already introduced, or planned for introduction before Easter, would take 22½ days. None of this business could be left until the spillover. Thus it was already unavoidable that the House should sit for three-and-a-half or seven-and-a-half days beyond 23 July. If the Conspiracy Bill were added to the programme, this would mean sitting once more into August. There were accordingly three options open to the Cabinet. The first option was to introduce this Bill, to accept increased congestion in both Houses this summer and to accept the need to sit into August. In view of the problems in the House of Lords it would be preferable to restrict the Bill to Part I. The second option was to introduce the Conspiracy Bill and drop some other Bill to make the necessary room. The major Bills not yet introduced were those on New Towns, Energy, Agricultural Tied Cottages and Private Practice, all of which were mentioned in The Queen’s Speech. The third option was to announce, on the publication of the Law Commission’s report, that legislation on conspiracy would be introduced at the beginning of next Session.

In discussion it was pointed out that the Law Commission’s proposals would arouse great public interest and it would be assumed that the Government supported them as a whole, whereas in reality there were a number of aspects which, given more time for reflection, Ministers might wish to see changed. There would accordingly be advantage in publishing the report and the Bill now, announcing the Government's intention to legislate next Session and reserving final decisions on the detailed content of the legislation until reactions to the Law Commission’s proposals could be assessed. On the other hand, it was argued that next Session was also likely to be very crowded, and the TUC wanted early legislation on conspiracy. The enactment of Part I would be helpful in the Government’s relations with the TUC, which were of cardinal importance to the Government’s economic strategy, unless it transpired that the TUC itself would like more time to consider its attitude to the proposals. Parts II and III were the more controversial parts, on which there was a stronger case for awaiting reactions. Considerable difficulties were, however, being experienced in the administration of the present law on squatting and obscenity, and early legislation was desirable on both; though it might be preferable if the whole of the law on obscenity and public morals were to be reviewed, perhaps by an Interdepartmental working party rather than by a Select Committee, before legislation was introduced.
In discussion of the problems of fitting in a Bill this Session, it was pointed out that despite all the Government's good intentions the position in the House of Lords was likely to be worse this Session than last. Major and contentious Bills which might not reach the Lords much before July included those on Education, Dockworkers, Private Practice, Tied Cottages and Race Relations. If a Bill on conspiracy were added to their number, it would be essential to drop some other Bill. It would, however, be possible to introduce the Conspiracy Bill in the House of Lords now, though, owing to its contentious nature, it would require protracted consideration and might be considerably amended in the Lords. Introduction in the Lords would mean that only one day, for Second Reading, would be required on the Floor of the Commons before the Summer Recess, with Report and Third Reading taken in the spillover; but it seemed improbable that there would be time to complete the Commons Committee Stage, which would also be protracted, before the Recess.

It was also pointed out in discussion that a considerable campaign had been mounted in left-wing circles in favour of reforms in this field different from those which the Law Commission were now recommending; and that an announcement of the Government's intention to introduce legislation reducing the maximum penalties for conspiracy would result in further pressure relating to persons now imprisoned for conspiracy offences. These political aspects of the matter would require careful handling.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet were agreed on the importance of early legislation on conspiracy, and it was to be hoped that Part I of the Law Commission's proposals could be enacted this Session. On publication of the Law Commission's report it would be necessary for the Government to announce their intention to legislate on Part I with all reasonable speed, but it might be desirable to await reactions to Parts II and III before deciding on the form of legislation on squatting and obscenity. The Cabinet were not yet in a position, however, to reach a conclusion on whether and how it might be possible to secure the enactment of Part I this Session and accordingly on whether the announcement should promise legislation this Session or next. The Home Secretary should therefore arrange for the publication of the report to be deferred until the Cabinet had reached a decision on this point. The Lord President of the Council, in consultation with the Lord Chancellor, the Home Secretary, the Lord Privy Seal, the Chief Whip and the Attorney General, should urgently consider by what means it might be possible to enact Part I of the Bill this Session, including the questions whether the Bill should be introduced in the House of Lords rather than the House of Commons and what options, if any, there were for dropping other proposed legislation if that should be found necessary. The outcome of this examination should
then be reported to the Cabinet. Meanwhile the Home Secretary and the Lord Privy Seal should sound out the Opposition in both Houses on their likely reactions to a Bill on Part I this Session.

The Cabinet -

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

Cabinet Office

4 March 1976
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 11 MARCH 1976
at 10.30 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council
(In the Chair for Item 5)

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 Eric Varley 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 Anthony Wedgwood Benn 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 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
CONTENTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PARLIAMENTARY AFFAIRS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Economic Policies: Vote of Confidence</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>FOREIGN AFFAIRS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rhodesia</td>
<td>2</td>
</tr>
<tr>
<td>3.</td>
<td>STERLING</td>
<td>3</td>
</tr>
<tr>
<td>4.</td>
<td>PUBLIC EXPENDITURE SURVEY 1976</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Economic Background</td>
<td>3</td>
</tr>
<tr>
<td>5.</td>
<td>COMMON AGRICULTURAL POLICY PRICES 1976-77</td>
<td>7</td>
</tr>
</tbody>
</table>
The Cabinet considered the implications of the Government’s defeat the previous evening in the House of Commons, following the debate on Public Expenditure, on a motion relating to its economic policies. It was generally agreed that it was essential to demonstrate without delay that the Government had support for these policies. It was procedurally impossible, however, to table a specific motion of confidence for debate that day. The options open to the Government, therefore, were to carry a vote on the adjournment that evening, having previously made it plain that this would be regarded as a vote of confidence in the Government’s economic and financial policies; or to put down a specific motion of confidence for debate the following day or on Monday. A specific motion of confidence would have the advantage that those of the Government’s supporters who had voted against the Government motion the previous evening would be obliged, if they wished to avoid a General Election, to vote expressly in favour of the Government’s economic policies to which the Parliamentary Labour Party as a whole were committed. Without such a vote, they might continue to feel free, on future occasions, to dissociate themselves from these policies. On the other hand there could be adverse effects on international confidence if, as a result of tabling a motion for debate on Friday or Monday, Government business had to be suspended in the meantime and the media highlighted the supposed political uncertainty. There was a precedent in 1940 for treating an adjournment motion as a motion of confidence and, in present circumstances, this appeared to be the best way of dealing with the immediate situation.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the motion for the adjournment that evening should be treated as a motion of confidence in the Government’s economic and financial policies and that a brief Press statement to that effect, with an explanation of the procedural reasons for adopting this course, should be issued forthwith. The Chief Whip would inform the Opposition before the statement was issued.

The Cabinet -

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

The Cabinet were informed of the business to be taken in the House of Commons during the following week.
2. **THE FOREIGN AND COMMONWEALTH SECRETARY** said that he had decided to see the two white Rhodesian businessmen who had recently visited London, reportedly with proposals from Mr Smith. The proposition they had advanced was quite unacceptable: it was that the Government should appoint three wise men, preferably representatives from the House of Lords of the three main Parties, to go to Rhodesia and make recommendations about its future constitution. He had told them that the time for proposals of this kind was long past. He was however himself preparing, on a contingent basis only, a statement of the elements necessary for a total settlement in Rhodesia, covering such points as the transition to majority rule, an aid programme, provision for Civil Service pensions, etc. It would however not be right to produce such a package until Mr Smith had accepted not only the principle of majority rule but also an early date for its introduction. He had met the Foreign Minister of Zambia that week and was likely soon to meet the Mozambican Foreign Minister. The Zambian Foreign Minister would be asking President Kaunda to suggest to President Nyerere of Tanzania that the latter should invite Mr Callaghan to go to Tanzania for talks with him. The four African Presidents were the key to the situation because of their influence on the guerrillas.

The Cabinet -

Took note of the statement by the Foreign and Commonwealth Secretary.
3. The position of sterling was considered by the Cabinet. Their discussion and the conclusions reached are recorded separately.

4. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C(76) 25) and a memorandum by the Central Policy Review Staff (C(76) 27) about the medium term economic background for the Public Expenditure Survey 1976.

THE PRIME MINISTER said that he had last year circulated to Cabinet a paper (C(75) 60) on the procedure to be followed for the discussion of public expenditure; the adoption of this, with its provision for preliminary discussion of the economic background and of public expenditure priorities, had led to some easing of the inevitable problems associated with this difficult question. The slightly modified procedure he had proposed for the current year was designed to enable the White Paper on public expenditure to be published in November, and similarly allowed for Ministers to clear their minds on priorities in early discussions before taking firm decisions.

THE CHANCELLOR OF THE EXCHEQUER said that this was the first in the series of discussions which would lead up to a White Paper in the autumn; his memorandum was intended to sketch the general background and to indicate the considerations which would influence the guidelines needed for the 1976 public expenditure Survey. The central economic case presented in the White Paper on public expenditure published in February (Cmd 6393) assumed an average annual increase in gross domestic product (GDP) between 1974 and 1979 of 3.4 per cent; it was now clear that the likelihood of achieving this increase was much less than had previously been thought, although it was very difficult to interpret the current indicators. The recent unemployment figures were encouraging, but it was not easy to understand the reasons lying behind them; the volume of exports was rather higher than had been expected. With the reduction which had now taken place in the sterling exchange rate, and assuming that the Government were successful in continuing the policy of restricting pay increases to a low level, it should not be too difficult to achieve the assumed growth in GDP, and in the output of manufacturing industry, over the next year. But it was extremely difficult to say whether this rate of growth could be maintained over the following years; much would turn upon the capacity constraints emerging in the first year. On pay, he had made it clear to the Trades Union Congress (TUC) that it was not possible for him finally to settle what he could do in his Budget about increasing domestic demand until he knew what the pay limit in the second round of the counter-inflation policy was going to be. The TUC, conversely, had indicated that their view of what
was possible on pay would be in part determined by the content of the forthcoming Budget. It would be possible for him to amend the Finance Bill as late as June in order to provide any tax relief which might follow acceptance of a low pay limit, and he thought that a sensible arrangement could be made with the TUC on that basis. On unemployment the figure of 700,000 by the end of 1979 was not a target; it represented an assumption of what could be done if the Government's other policies were successful. What he had said publicly was that the Government could not set themselves a less ambitious target than this. He had discussed with the TUC their target of 600,000 unemployed by 1978 and had pointed out that, given the lag which occurred between the growth of output and the effect on employment, the achievement of that target would require an increase of 24 per cent in manufacturing output by 1978; this was not impossible but was exceedingly difficult to bring about in any manner consistent with a balance of payments deficit which there would be any prospect of financing. The experience of the last Administration had shown the dangers of trying to grow too fast and running into consequential shortages; it would be preferable to aim for a slower rate of growth which was consistent with the Government's other economic aims. The conclusion he drew from this background was that for the period up to 1979-80, which had been covered in the February White Paper, public expenditure should in total remain broadly unchanged, and he recommended to his colleagues that the guidelines for the forthcoming Survey should be based on this assumption.

In discussion it was argued that the Government's present economic policy was too critically dependent upon events outside their control. So far, the forecasts about the upturn in world trade had not been fulfilled; but the Government was still waiting for the economy to be rescued from its present difficulties by an improvement in economic activity in other countries. If this did not take place, or were unduly delayed, the prospects for our economy would be even worse than were now assumed and the Government would come under increasing criticism that there was nothing in its policies of a self-generated character to improve the situation. The central case in the White Paper, postulating a growth of 8½ per cent in manufacturing output for three successive years, was highly improbable. The volume of exports would rise, but the danger was that this might be offset by an increase in imports, depreciation of sterling having just added 5 per cent to the import bill, while the benefit to exports was delayed through the J-curve effect. It was argued that, while all forecasts were unreliable, those of the Department of Applied Economics at Cambridge showed that policies based on a monetary or devaluation approach would lead to continuing high unemployment and reduction in the real value of wages. Further falls in the value of sterling would unsettle the overseas sterling holders, and, by cutting real wages, have an impact on the Government's ability to achieve a satisfactory wages policy. The TUC Economic Review argued in favour of a strategy of protection, and neither of the
papers before Cabinet gave any consideration to this as a possible alternative to present economic policies. If the promised upturn in world trade took place, it could only lead to a flood of imports into the country as activity revived, and after a short boom the resulting imbalance on external account would lead to a situation in which employment would suffer severely. It was essential that Ministers should have an opportunity to discuss seriously an alternative strategy involving the use of import controls as a central element.

On the other hand it was argued that the Cambridge school of economists had been completely wrong in their predictions last year, and the forecasts by other outside institutions - the National Institute and the independent forecast by the Bank of England - were a good deal more optimistic than previously. This optimism was confirmed by the present state of export order books. It was true that the Government's policy depended crucially upon an upturn in world trade; but the truth was that Britain depended very heavily indeed upon world trade for her economic well-being, and there was nothing the Government could do to change this: nor were we alone in this respect. On import controls, it was arguable that not all the leading members of the TUC were equally wedded to such a policy, but they were no doubt anxious to find some means of getting round the balance of payments constraints. It was extremely doubtful whether import controls on the scale suggested would produce the employment effects for which the TUC hoped. Import controls would certainly drive up the cost of living, and any attempt to use them ran the serious risk of a crushing retaliation from other countries which would completely nullify any benefit they might have. However, there was much to be said for a full and searching discussion of the arguments for and against the use of import controls, among Ministers and with the TUC, as well as with the National Executive Committee of the Labour Party (NEC); the joint meeting between the Government and the NEC in the near future would be a most important occasion for this purpose. The anxieties of the TUC and others on this issue must be treated as a serious element in the formulation of policy.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet had surveyed the economic background against which public expenditure Survey plans for 1976 would have to be set. They were content that at this stage the guidelines for the Survey should be based on the assumption that total public expenditure in the years to 1979-80 would broadly reflect the figures which had been published in the previous month's White Paper. The next step would be for the Cabinet to have an opportunity to discuss public expenditure priorities and thereafter to agree the guidelines for the 1976 Survey. There was agreement that the question of general import controls must be examined in depth and the arguments deployed before the TUC and the NEC.
The Cabinet -

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

2. Took note of the paper by the Chancellor of the Exchequer (C(76) 25).

3. Agreed that at this stage the guidelines for the 1976 public expenditure Survey should be framed on the assumption that the total expenditure up to 1979-80 would broadly reflect the published figures, and invited the Chancellor of the Exchequer to put forward specific proposals on this basis.

4. Instructed the Secretary of the Cabinet to arrange for a paper to be circulated on public expenditure priorities.

5. Agreed that there should be collective Ministerial discussion of the arguments relating to import controls and their presentation to the Trades Union Congress and the National Executive Committee of the Labour Party; and invited the Chancellor of the Exchequer to prepare a paper for this purpose.
5. The Cabinet had before them a memorandum by the Minister of Agriculture, Fisheries and Food (C(76) 29) on the decisions on prices under the Common Agricultural Policy (CAP) for 1976-77 which had been reached the previous week by the Council of Ministers (Agriculture) of the European Economic Community (EEC).

The Minister of Agriculture, Fisheries and Food said that the meeting of the Council of Ministers had been a very long and difficult one, lasting from Tuesday 2 March until the early hours of Saturday 6 March. All the Ministers present had various national objectives they wished to achieve, and none of them would be satisfied with every aspect of the final package. In his case, within the general policy set by the Ministerial Committee on European Questions (EQ) to settle for the lowest price increases negotiable, he had been faced with problems caused by the fall in the value of sterling which was taking place during the course of the meeting. The EEC’s system of monetary compensatory amounts, which acted as Community-financed subsidies on many of our food imports to counterbalance the drop in the value of sterling, would as a result of the decline in the pound during the week cost the Community in the coming year £75 million in addition to the £90 million previously expected. He had come under heavy pressure to devalue the “green pound” so as to reduce the level of these Community subsidies, but had refused to do so. If however, because of dissatisfaction with other elements in the prices package, he had broken off negotiations and resumed them the following week, he might well not have been able to resist that pressure.

On individual items the introduction of fully variable premiums for beef, equivalent to our previous system of deficiency payments, had been a major breakthrough. In addition the Council would consider during the year whether the system should be more widely adopted throughout the Community. In his view the hostility to the system which he had experienced the previous year was now much reduced.

On milk, target price increases averaging 6 per cent over the year had been agreed, which were somewhat higher than the Commission’s proposals; though for the major milk producers the price increases would in fact work out at only 3 per cent for France and 2 per cent for Germany—a sharp reduction in real terms. There would be no rise in the retail price of milk in this country before 1 January 1977, and the milk subsidy would be reduced by £70 million. In addition the Council had accepted a firm commitment to the principle of producer co-responsibility for milk surpluses. These decisions would reinforce the returning confidence in the dairy sector of British farming, which also provided two-thirds of our beef. On cereals the prices finally agreed were lower than the Commission’s proposals. Overall the effect of the price changes agreed at the meeting would add about 1½ per cent to our retail food prices by the end of the year (approximately the same as the effect of the Commission’s original proposals), which would be additional to the
1 per cent increase in prices caused by our next transitional step to the full level of EEC prices. He had admittedly been attacked in the House of Commons for agreeing to this price settlement, but many of the attacks had come from Members who would not have accepted any settlement reached in Brussels.

In discussion there was general recognition that the Minister of Agriculture had fought hard in very difficult circumstances; but the extent to which the final outcome had fallen short of our objectives emphasised the need for a more fundamental examination both of the machinery for settling farm prices in the EEC and of the agricultural policy which we wished the EEC to follow. As to the machinery, there was a marked contrast between the way in which such decisions were taken by the British Government, in which the interests of all parties involved could be advocated, and the EEC practice, where the decisions were taken by the Council of Ministers (Agriculture) almost all of the members of which were solely concerned with farming interests. Similarly it was noted that often in this area the Commission put forward proposals advocated by the Commissioner responsible for agriculture, even though they were resisted by Commissioners with other responsibilities. It might be desirable for the Prime Minister to raise, at the European Council meeting on 1-2 April, the question of the machinery by which these decisions were taken. An urgent study should therefore be put in hand, for example, of whether farm prices should be decided by Finance and Agriculture Ministers meeting jointly in Council, so that the Cabinet could decide during the course of its whole-day discussion of European matters planned for 26 March whether such a proposal should be put forward. Similarly the Government's machinery for taking such decisions needed examination. The misunderstanding that had arisen during a telephone conversation the previous Friday between the Minister of Agriculture in Brussels and the Secretary of State for Prices and Consumer Protection in London on whether or not negotiations were being broken off for further consideration showed the difficulties inherent in present procedures. It might be desirable for a Minister from the Treasury or the Department of Prices and Consumer Protection to be added to the British team for negotiations on farm prices. EQ should take as precise decisions as possible on the negotiating limits, and the circumstances in which reference back was required. It was noticeable that other countries were not averse to breaking off negotiations for a period if they considered it in their national interest to do so.

As to the agricultural policy we wished the EEC to adopt, EQ had decided that these negotiations would not be a good occasion to make a major general stand of principle against those elements of the CAP which we found distasteful. It had however agreed that in the autumn there should be a thorough review of the situation, with a view to mounting an attack on those elements in the context of the next price negotiations. At present we appeared to be losing ground gained in renegotiation,
for example on the need to avoid the creation of surpluses and on a
fundamental stocktaking of the CAP. This trend would be bound to
strengthen feeling against the Community. It was however pointed
out that the difficulties of insisting on a CAP designed to meet our
wishes should not be under-estimated. It would be a mistake to
threaten strong action if we could not carry it through. We had to
recognise we were just one country of Nine, and that while our
economy was weak our voice in Europe would be correspondingly
weak. We needed also to be clear on our own objectives - there
was at present a certain ambivalence between our desire for food
as cheap as possible and our wish to stimulate food production from
our own resources. On the decisions reached by the Council of
Ministers (Agriculture) the previous week, it was pointed out that
the increase in food prices involved would cause difficulties in
reaching agreement with the trades unions on a continued counter-
inflation policy, and it might be necessary for the Government to
reconsider its policy on food subsidies. We appeared to have had to
pay a negotiating price to obtain a continuance of variable premiums
on beef, even though we had understood that this had been agreed in
renegotiation, and it was important that we should not pay again the
following year. In the milk sector we had not seized the chance of
insisting, as had been agreed at EQ, on the need to prevent the
perpetuation of arrangements which built up surpluses. Even
Mr Lardinois, the EEC Commissioner for agriculture, had been very
worried about continuing dairy surpluses. However, we had
accepted an increase in milk prices considerably higher than the
Commission had proposed, and would inevitably as a result be faced
with even bigger surpluses.

THE LORD PRESIDENT, summing up the discussion, said that the
Cabinet recognised that the Minister of Agriculture, Fisheries and
Food had negotiated under very difficult circumstances. No-one
could say that a better result was in fact negotiable, or whether he
would have been able to obtain this result if he had insisted on
suspending the negotiations while he reported back to Cabinet.
However, for counter-inflation policy reasons, it was important that
the results should be presented carefully from the consumer point of
view, and the Minister of Agriculture and the Secretary of State for
Prices and Consumer Protection should consult about this. The
Minister of Agriculture should report in detail to EQ on the results
of the negotiations, and make proposals for the handling of those
matters not yet decided. EQ should undertake an urgent study of the
question of the Community's machinery for deciding farm prices, and
report to Cabinet. The Committee should also pursue in the autumn
its further study of the stocktaking of the CAP. It would be desirable
for EQ to be as precise as possible about negotiating limits when
giving guidance to negotiations about farm prices, and the extent to
which reference back might be required.
The Cabinet -

Took note, with approval, of the Lord President's summing up of their discussion.

Cabinet Office

11 March 1976
THE CHANCELLOR OF THE EXCHEQUER said that he wished to emphasise to his colleagues that none of them should make any public comments whatsoever on the exchange rate without prior clearance from him of what they wished to say; and he would prefer them to avoid any reference to the exchange rate at all. In view of the events of the last few days in the exchange market, he was preparing a brief comment which the Prime Minister might include in his speech to the House of Commons that afternoon. Since the decision to introduce a floating exchange rate in 1972, the Government had not intervened in the market to try to counteract movements which genuinely arose from such economic circumstances as the faster rate of inflation in the United Kingdom than in other countries. Intervention had been confined to smoothing what otherwise would have been erratic movements. As a result, the sterling exchange rate had moved down over the last four years; but since last November, because of the success of the £6 pay limit and the reduction in the rate of inflation, the rate had remained virtually unchanged until the previous week. On Thursday 4 March the Bank of England had sold some sterling to smooth the market, and this, combined with an unfounded rumour that Nigeria was selling her sterling, led the market to conclude that the Government was trying to bring the rate down. This view was reinforced on Friday 5 March, when the Minimum Lending Rate was reduced by one-quarter per cent (a change which it was beyond the power of the Government to prevent after lunchtime on Thursday). The reports on the British economy on Monday by the Organisation for Economic Co-operation and Development that the sterling rate would need to fall, and on Tuesday by the National Institute for Economic and Social Research that the pound should be depreciated by 5 per cent, had exacerbated the unsettled state of the markets, although he thought that their effect was now spent. Since Thursday 4 March the pound had suffered a depreciation of around 4 per cent; and although some would argue that there were advantages in a movement of this kind, the stabilisation of the market in sterling had cost a considerable sum from the reserves. It had to be remembered that a 5 per cent fall in the rate added something like 1 per cent to the Retail Price Index. However, the
Treasury's forecast had assumed a fall in the rate of this order, and as long as there was no further slide there would be no need to amend the forecasts.

The Cabinet -

Took note of the statement by the Chancellor of the Exchequer.

Cabinet Office

11 March 1976
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
TUESDAY 16 MARCH 1976
at 11.00 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council
(In the Chair for Item 2 and part of Item 3)

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer
(Items 1 and 3-5)

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 (Items 1 and 3-5)

Rt Hon Eric Varley MP
Secretary of State for Industry

Rt Hon Roy Mason MP
Secretary of State for Defence

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
(In the Chair for part of Item 3 and Items 4 and 5)

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 Anthony Wedgwood Benn MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services (Items 1 and 3-5)

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

SECRET
ALSO PRESENT
The Rt Hon Joel Barnett, MP
Chief Secretary, Treasury (Items 3-5)

SECRETARIAT
Sir John Hunt
Mr J A Hamilton (Items 3-5)
Mr W I McIndoe (Item 2)
Mr A D Gordon-Brown (Item 2)
Mr C J Farrow (Items 3-5)

CONTENTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PRIME MINISTER'S INTENTION TO RESIGN</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>THE LAW ON CONSPIRACY</td>
<td>8</td>
</tr>
<tr>
<td>3.</td>
<td>THE NEWSPAPER INDUSTRY</td>
<td>9</td>
</tr>
<tr>
<td>4.</td>
<td>STATEMENT BY THE CABINET ABOUT THE PRIME MINISTER'S RESIGNATION</td>
<td>12</td>
</tr>
<tr>
<td>5.</td>
<td>THE SHIPBUILDING INDUSTRY</td>
<td>13</td>
</tr>
</tbody>
</table>
THE PRIME MINISTER informed the Cabinet in the following terms of his intention to resign as Prime Minister as soon as the Parliamentary Labour Party could choose a new Leader.

"I have just returned from the Palace where I had an Audience of The Queen. I formally confirmed to her a decision of which I had apprised her early in December, that in March of this year I would intend to make way for a successor, and that I would resign as Prime Minister as soon as the Parliamentary Party had completed the necessary constitutional procedures for electing a new Leader.

"In March 1974 I decided that I would remain in office for no more than two years. I have not wavered in this decision and it is irrevocable. Indeed I had originally intended that it should take effect last September, but decided to defer it because of the paramount importance of ensuring the national acceptance and success of the counter-inflation policy the Government announced last July.

"I must, of course, inform my colleagues of my reasons:

"First, I have been Leader of this Party for over 13 exciting and turbulent years - nearly eight of them in Government. My period as Prime Minister has been longer than that of any of my peacetime predecessors in this century. These years of office spanned a period when Britain, nationally and internationally, had to face storms and challenges without parallel in our peacetime history.

"But it is not only those last 13 years; in 31 years in Parliament I have been on one or other Front Bench for nearly 30 years - for almost 11 ½ years in Cabinet. No one should ask for more.

"To have led four Administrations, dedicated not only to solving the nation's economic problems but also to achieving a higher level of social justice and equality than our people have ever known, is a privilege conferred on very few men.

"Second, I have a clear duty to the country and to the Party not to remain here so long that others are denied the chance to seek election to this post. This is the most experienced and talented team in this century, in my view transcending that of Campbell-Bannerman 70 years ago. I am proud of that. A leadership election will do good in showing the country the wealth of talent in our ranks.

CONFIDENTIAL
"The fact that I am leaving shortly after my sixtieth birthday has no bearing on the choice to be made. I have reached sixty after 13 years' Party leadership, nearly eight of those in Downing Street. Some of my most distinguished predecessors were either just below or just over that age on becoming Prime Minister, including Clem Attlee, Winston Churchill, Harold Macmillan and Alec Douglas-Home in our own time. The fact that I began early and have borne the responsibility of this office for so long means that sixty is the right age for me to promulgate a change.

"Third, it is my view that my successor should be in post now, to impose his or her style and to work out the strategy for the remaining years of this Parliament. But I am certain that the new Administration will assert the same determination and dedication in our counter-inflation policies in this country, as we have unitedly shown to the world. Equally I am totally convinced that no conceivable reconstruction of the Cabinet could in any way lead to a weakening in our resolve to fulfil in full measure our commitment to our allies and partners overseas.

"Fourth, there is a danger, to which I have been alerted all my working life. It is that, in times of rapid change, you may be faced with a decision which, perhaps in different conditions, you have faced before. If, on the earlier occasion you considered and rejected a particular course of action, there is a tendency to say you have been into that, so that you do not give the fresh consideration the circumstances may require. I am determined not to succumb to this danger.

"I want to make it quite clear, with the agreement of all my Cabinet colleagues, that these reasons represent the total explanation of my decision. There are no impending problems or difficulties - economic or political - known to the Cabinet, which are not known to the country and which are not already the subject of the political discussion of our times.

"Now I want to express my warm thanks to my colleagues, not only for their work and achievements, but for the fact that in all my four Administrations these have been happy Cabinets. We have faced problems far more daunting than any Cabinet in our post-war history, and those problems have been met with more courage, more determination, more imagination and more comradeship and unity than by any Cabinet of which I have knowledge. I have in fact presided over 472 Cabinets and thousands of Cabinet Committees. I have answered more than 12,000 Parliamentary Questions."
"I am proud of the achievements of these past two years.

"We remember what we faced when we were recalled to office a little over two years ago. It was not only the economic paralysis. There was a widespread anxiety in the country that even the "governability" of Britain was in doubt. It is not in doubt today, because the economic and social governance of Britain has been established on the basis of the consent of the people.

"We have created a new relationship between Government and people to replace the clash and confrontation which two years ago almost brought this country to disaster.

"This is a far more united and determined people now than for many years.

"Our counter-inflation policies have been accepted by the great majority of the nation. Our counter-inflation target for the end of this year is now in sight of achievement.

"In 1975 the current account deficit on our balance of payments was less than half the deficit in 1974, even though we have had to meet - and had to meet in a period of unprecedented world economic problems - the five-fold increase in the price of the oil we import.

"The value of our exports is rising strongly - by 4 per cent in the last three months compared with the previous three months - and at a much faster rate than imports.

"For two years we have had to face the consequences of world inflation and world unemployment. But now the economy is beginning to revive. Business confidence is higher than at any time since the autumn of 1973. There are growing signs that the rate of increase in unemployment is running at a very much smaller level than last year, particularly the last three months of last year.

"We inherited a dangerously distorted and unbalanced economy. We are beginning to get it right.

"For the first time, industrial problems are being tackled by relevant micro-economic action in place of an over-reliance on clumsy and often ineffective macro-economic lurches; through NEDC and direct action to restructure and modernise particular industries through NEB and specific sectoral actions to strengthen our economic base, which is manufacturing industry."
"We have embarked on the biggest programme of industrial training and re-training in our history.

"We have carried through the greatest-ever improvements in the standards of pensioners and others dependent on the social services, particularly the disabled, previously so neglected.

"We inherited the lowest housebuilding figures since the 1950s; we have restored the housing programme to over 300,000 houses a year.

"In world affairs our relations with the United States, with European countries, East and West, and with the Commonwealth, are better than for many years. Our membership of the European Community has been confirmed. Our relations with the United States were recently described by President Ford as being "as good as they have ever been".

"Now, for the future.

"Later this morning I will meet the Chairman of the Parliamentary Labour Party, and propose that he calls a special meeting of the Party this evening, to put forward the Liaison Committee's suggestions for the leadership election, so that nominations may be invited forthwith. I would hope that they may be able to devise procedures which enable full consideration to be combined with all reasonable speed - certainly more expeditious than the somewhat leisurely weekly procedures of the past.

"I shall play no part in that election apart from casting my own vote by secret ballot. Nor will I seek to influence a single Member of the Party in his vote.

"I shall remain in Parliament as long as my constituency will put up with me. I have not been inactive on behalf of my constituents. I hope to see more of them and put in more time on their behalf. I am above all a Parliamentarian and want to go on serving it and serving in it.

"I shall not go into industry or take paid employment.

"I shall not accept the headship or other office in any place of learning, apart from my present relationship with the University of Bradford. I may give occasional lectures here or abroad, as I have for many years, but not to the detriment of my Parliamentary work.

CONFIDENTIAL
"I want to say this to my successor, whoever he or she may be.

"This is an office to cherish; stimulating and satisfying. You will never have a dull moment; you will never get bored. But it is a full-time calling. These are not the easy, spacious, socially-oriented days of some of my predecessors. Apart from quite generous holidays - when, thanks to modern communications, I have never been more than moments away from Downing Street - I have had to work seven days a week at least 12 to 14 hours a day. But the variety and interest - with, usually, at least 500 different documents or submissions to read in an average weekend after a busy week - means that you do not get bored; consequently, you do not get tired.

"Every Prime Minister has his own style. But he must know all that is going on. Even if he were tempted to be remiss in this, the wide-open nature of Prime Minister's Questions - entirely different from that of any departmental Minister - requires familiarity with, and understanding of, the problems of every Department and every part of the country.

"More than that, the price of an Administration's continuance and success is eternal vigilance - on duty or on call every minute of the day. Yet you must find time enough to stand back and think about the problems of the Administration, its purpose, its co-ordination and its longer-term strategy. Equally you have to watch for that cloud no bigger than a man's hand which may threaten not tomorrow's crisis, but perhaps next month's or next year's. In all this you have got to think and feel politically as well as in constitutional and administrative terms.

"It is not only the job here in Westminster, Whitehall and Parliament. It is the job in the country. The leader of the Party, and no less the Prime Minister, has a duty to meet the people, to address political and other meetings. For 13 years I have averaged well over 100 a year, covering nearly every constituency, some of them many times.

"You will be able to count on my full support, especially when the going is rough.

"My advice and experience is available when you seek it: I do not intend to offer gratuitous advice.

"I will give any help I can in any form you ask, inside the House, in the Parliamentary Party, and in the country, apart from accepting a Ministerial appointment.

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"In particular, I shall be guided by the letter and spirit of the undertaking which a pre-war predecessor gave when he stood down for a successor, who was in fact chosen - not elected as is our rule - "Once I leave, I leave. I am not going to speak to the man on the bridge, and I am not going to spit on the deck".

"I am confident that this brief election period will be comradely and not divisive.

"In this period every Minister will be expected to put his full effort into his Departmental and Cabinet duties. I will, of course, remain in full charge of the Administration until the electoral process is completed, exercising all the rights and duties of a Prime Minister to take any action that is needed.

"I am confident that a new Prime Minister in taking over will enjoy from his Cabinet the same loyalty, support, understanding and even, when required, forgiveness, that it has been my privilege to enjoy.

"My only advice to him and the Cabinet he forms - and I am sure this advice is not necessary - is to get out into the country, meet the people, tell them, explain to them, listen to them; and above all remember the Party is the Party in the country - not the Palace of Westminster, not Smith Square.

"In return I would ask the Party everywhere - and I hope that our Press friends, all of whom I forgive, will allow me to say this to them as well - that in all circumstances all concerned will comply with the spirit of the Speaker's Petition to The Queen on behalf of the Commons when a new Parliament meets: "That the most favourable construction may be placed on all your proceedings"."

The Prime Minister said that he wished to emphasise that the timing of this matter was not related to any recent events. He had considered resigning before the last Party Conference and then again at Christmas; but he had felt it necessary to remain in order to lead the campaign for acceptance of the pay policy set for the year from the end of July 1975. If he had delayed any longer however this would have posed problems in relation to the negotiations for the second round of counter-inflation policy. He had therefore decided as long ago as last December that middle or late March would be the right moment. This marked in effect the turn of the hinge when the 1975 counter-inflation policy was fully established and the 1976 policy was about to be worked out. He had not announced his intention on his
sixtieth birthday because this coincided with two by-elections, and he had also had to take into account the situation on the foreign exchange market. The sterling rate had now steadied, but it would clearly be of the greatest importance to present very fully the reasons for his decision and thus avoid any speculation that it arose from anything other than the original decision which he had taken in March 1974 that he would not remain as Prime Minister for more than two years. He proposed therefore to release to the Press the text of the statement which he had just made to the Cabinet. Suitable messages were being sent to some foreign Heads of Government and to certain other persons, including the Governor of the Bank of England, who needed to be informed without delay. He proposed to absent himself from the rest of the meeting in order to inform the Chairman of the Parliamentary Labour Party and ask him to set in hand the necessary constitutional procedures for electing a new Leader.

THE LORD PRESIDENT OF THE COUNCIL said that the Cabinet had listened to the Prime Minister's statement, which to their regret he had said was irrevocable, with very great sadness. They were indeed stunned: and at this stage he could only convey to the Prime Minister their very heartfelt thanks for everything which he had done for them.

THE FOREIGN AND COMMONWEALTH SECRETARY agreed that this was not the time for tributes to the Prime Minister who would continue to direct their counsels until a new Leader had been chosen. He wanted however to add that history would deal even more kindly with the Prime Minister than his contemporaries. It was sometimes said that the Prime Minister had displayed a unique facility in keeping the Labour Party together; but it had also to be remembered that in maintaining a united Party, as with his success on other matters, the Prime Minister had served the nation well.

The Cabinet -

1. Took note, with regret, of the statement by the Prime Minister.

2. Took note, with warm approval, of the statements by the Lord President and the Foreign and Commonwealth Secretary.
2. The Cabinet resumed their discussion of the timing of the Government legislation which would follow the Law Commission's report on the law of conspiracy in England and Wales, which was to be published the following day.

THE HOME SECRETARY said that on 4 March the Cabinet had invited the Lord President and himself, with the other Ministers concerned, to consider urgently by what means it might be possible to enact Part I of the Law Commission's draft Bill this Session. Before this discussion he had met representatives of the Trades Union Congress (TUC). This had been a very small, low-level deputation, whereas earlier TUC deputations on related matters had been large and high-level. He had explained the position to the deputation and asked them whether, given a choice, they would prefer legislation this Session or next. They had recognised that the Law Commission's proposals were complicated, and appeared to be disposed to accept the need for further study with a view to legislation next Session. The Lord Chancellor and the Attorney-General now took the view that it would be impracticable to limit the legislation to Part I of the Law Commission's proposals, dealing with conspiracy generally. In the circumstances he thought it would be better not to proceed with immediate legislation, which would involve the risk of a botched Bill getting bogged down in Parliament, although if the TUC were subsequently to urge legislation this Session it would be necessary to have another look at the position. He proposed that, after publication of the report, the Government should indicate their intention of legislating early next Session, at least on Part I.

THE LORD CHANCELLOR said that he agreed with this course. In his view, it would be impracticable, almost to the point of impossibility, to reform the present law on conspiracy generally, as in Part I, while maintaining the corresponding law in relation to squatting and obscenity by deferring action on Parts II and III of the Law Commission's proposals. Ministers had not yet fully discussed the major points of policy which arose on Parts II and III, and public reaction to these proposals would be important.

THE LORD PRESIDENT OF THE COUNCIL, summing up a brief discussion, said the Cabinet agreed that, about a week after the publication of the Law Commission's report, the Home Secretary should announce the Government's intention, following consultations with interested bodies, to legislate at the start of next Session, certainly on Part I of the Law Commission's proposals and, subject to public reactions, on Parts II and III. The Home Secretary would also arrange for any guidance to the Press which might be necessary between publication of the report and the Government announcement.

The Cabinet -

Took note, with approval, of the summing up of their discussion by the Lord President of the Council, and invited the Home Secretary to proceed accordingly.
3. The Cabinet considered a memorandum by the Secretary of State for Trade (C(76) 30) on the interim report by the Royal Commission on the Press.

THE SECRETARY OF STATE FOR TRADE said that the Royal Commission on the Press had been asked in September 1975 to produce an urgent interim report on the financial situation and prospects for the national newspaper industry because of widespread fears that one or more national newspapers might close while the Commission was pursuing its general remit. The interim report was to be published the following day. The essence of its recommendations was that reduction of costs by introduction of new equipment and agreed reduction of manpower was the only way to secure an early improvement in the industry's financial position. The Royal Commission saw joint discussions which were being held between management and unions as a major opportunity for promoting these changes. They rejected any general subsidy for the Press and considered that most national newspapers could borrow from the private sector to finance the capital investment and the redundancy payments which would be involved. They had however recommended that newspapers unable to borrow from the private sector should be permitted to borrow from the Government and that, in addition, the Government should provide a measure of interest relief on all borrowing for this purpose from whatever source. The interim report had been considered by a meeting under the Prime Minister's chairmanship which had agreed that the report should be broadly welcomed. The impetus provided by the report and by the agreement in principle already reached between the management and the trades unions provided a unique opportunity for bringing about radical change by agreement in an industry which had a history of failure to agree on such matters. However the draft statement which he proposed to make, and which was attached to C(76) 30, avoided any commitments on the Government to provide assistance. These could not be given until more details were available and a more detailed agreement had been reached between management and unions.

In discussion it was questioned whether it was necessary for any substantial statement to be made at the time of publication of the report. Agreement even in principle to provide public funds to the newspaper industry raised important issues, for example as to conditions which should be imposed, which needed to be fully considered. On the other hand it was argued strongly that the Government had requested a report to be made as a matter of urgency and that it was incumbent on them to give some indication of their views as soon as it was published.
In further discussion it was pointed out that the Commission had envisaged two distinct forms of assistance to the industry. Firstly they had recommended that newspapers which were unable to raise loans from commercial sources should be provided with loans from public funds. Secondly they had recommended that all loans, from whatever source, should receive an interest subsidy from the Government for 2 years. The first of these raised problems in relation to the Government’s industrial strategy, for it required the Government to provide assistance to companies which were not sufficiently credit-worthy to borrow on the commercial market. The use of Section 8 of the Industry Act 1972 would cause particular problems, and no commitment should be given on this. There were still more serious objections to the second recommendation and there was a strong case for making clear from the outset that there was no question of the Government providing such a subsidy. On the other hand it was strongly argued that the provision of a loan from public funds to those newspapers unable to borrow from commercial sources was an essential element in the Royal Commission’s recommendations. Their objective had been to ensure that all newspaper houses moved together; if some pursued an independent course the failures to modernise which had been characteristic of the past were likely to be repeated. Given the seriousness of the condition of the industry it was necessary to preserve the momentum which had been brought about by the work of the Royal Commission and to this end some call on public funds might be necessary. The Commission justified the recommendation for an interest subsidy on similar grounds but on this issue their case was much less strong, and it would be right for the Government to be wholly non-committal. The possibility of such a limited subsidy should not, however, be ruled out.

The Foreign and Commonwealth Secretary, summing up the discussion, said that the Cabinet were agreed that it would be right for the Government to make a statement of their attitude to the Royal Commission’s report at the time of publication on the lines of the draft attached to C(76) 30. There was however a wide measure of agreement that no commitment should be given to the provision of public funds, particularly for an interest subsidy. The general view was that an appropriate amendment to the draft statement would be to delete the words "but, above all, in present financial circumstances, when the availability of public funds must necessarily be very limited, it is imperative for all concerned to have the measures of the figures involved," from the second page of the draft statement. The Secretary of State for Trade should consider this proposal and advise the members of the Cabinet urgently in correspondence if he were not able to accept it. If pressed on the question of an interest subsidy, the Secretary of State should take a negative rather than a positive line: he should also avoid accepting that Section 8 of the Industry Act 1972 would be used if assistance were to be provided.
The Cabinet -

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

2. Approved the draft statement attached to C(76) 30, subject to the amendment indicated in the Foreign and Commonwealth Secretary's summing up of their discussion.
4. During a brief further discussion, in the absence of the Prime Minister, about the Prime Minister's intention to resign the suggestion was made that, while any formal tributes could more appropriately come later, the Cabinet during their present meeting should issue a short statement. This was desirable on two grounds: firstly, to express the Cabinet's sense of loss and its profound gratitude to the Prime Minister for the unique service he had given over 13 years, and secondly to underline the point that this was a personal and irrevocable decision of which the Cabinet had no foreknowledge.

Following further discussion the Cabinet considered the following draft statement:

"Cabinet this morning learned with deep regret of the wholly unexpected message which the Prime Minister had earlier conveyed to The Queen. They would have wished it otherwise. They must respect what he has described as a personal and irrevocable decision. The Prime Minister has carried the burdens of leadership with outstanding wisdom and dedication. The whole Cabinet wishes to place on record immediately its sense of loss and its profound gratitude to Harold Wilson for the unique service he has given to his country and his Party over the past 13 years."

The Cabinet -

Approved the statement and instructed the Secretary of the Cabinet to arrange for its immediate release to the Press.
5. The Cabinet considered a memorandum (C(76) 24) by the Secretary of State for Industry on the future prospects for the shipbuilding industry.

THE SECRETARY OF STATE FOR INDUSTRY said that the Ministerial Committee on Economic and Industrial Policy had recently considered the future prospects of the shipbuilding industry and had agreed that he should make a report to the Cabinet. In his view this was the most severe industrial problem facing the Government. Market conditions were extremely difficult with world demand for ships at present only 25 per cent of world capacity. As a result of the energy crisis no new tankers would be needed for some years and as a result of the world recession the demand for dry cargo ships had fallen sharply. The British industry was uncompetitive - Japanese yards were quoting prices 50 per cent below those of British yards while European prices were 20 per cent below British. The Japanese industry already had 50 per cent of the world market and on present trends would soon have 80 per cent. The British industry had secured only 1 new order since October 1975 and Govan Shipbuilders Ltd, as an example, had taken no orders since the middle of 1974. The industry at present employed some 70,000 directly and probably as many again indirectly. The employment was heavily concentrated in areas already faced with serious unemployment problems. If no further orders were taken this employment would fall by a half by the end of 1977 and would bring unemployment in the areas affected to 20 per cent. The prospects were that it might run at this level well into the 1980s. There seemed no prospect of alternative jobs being created at the next economic upturn since the areas affected would also be facing at the same time the rationalisation of the steel industry and the contraction of the aircraft industry. Those unemployed would be almost all males and the local problems would be the worse because the shipbuilding industry had traditionally been a major source of apprenticeships. The Bill for the nationalisation of the industry was making satisfactory progress through the House of Commons and was no longer being very strenuously opposed. However there was no point in continuing with the Bill unless steps were taken to secure further orders for the industry. In any event the future contraction of the industry would be blamed on nationalisation. He proposed that, in a joint approach with the Secretary of State for Trade, he should put the strongest pressure on British shipowners to place more orders in British shipyards. While proper regard needed to be given to the interests of the shipping industry it had to be remembered that they had benefitted in the years 1967-76 from investment grants of £586 million, of which £458 million had been towards orders placed in foreign shipyards. Although investment grants were being phased out a further £20 million had been paid the previous year and even now the industry were able to claim depreciation of 100 per cent in the first year for ships ordered abroad. If the voluntary approach he proposed did not bring adequate results more drastic measures, such as legislation or fiscal measures would need to be seriously considered. The alternative, that a major
shipping nation should have its shipbuilding industry destroyed, was intolerable. Apart from measures to secure new orders work was already in hand on a special redundancy scheme, to be financed directly by the Government, to alleviate the social consequences of the contraction of the industry. This did not however need to be considered at the present stage.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that while the Secretary of State for Industry's report did not cover the industry in Northern Ireland the same difficulties arose. Consideration was being given to a reduction in the labour force at Harland and Wolff from 9,000 to 4,000 men. He was wholly in agreement with the Secretary of State for Industry and considered it would be indefensible to permit the threatened reduction of the industry.

In discussion there was general agreement on the gravity of the problems facing the shipbuilding industry and of the need for action to ensure that it was maintained. It was argued that it would be wholly against the national interest to allow the destruction of the resources of skill which had been built up in the industry and that redundancies on the scale threatened were intolerable in the areas in which the industry was concentrated. It was however pointed out that the surplus of shipping capacity in the world would severely limit the amount of new orders to be placed and the industry would be faced with very acute overseas competition for many years. The shipbuilding industries in other countries, notably Japan and Sweden, were much more efficient. Restrictive practices and poor management in the British industry had seriously damaged its prospects. There would be advantage in a major effort being made to bring home to all those who worked in the industry, not merely the trades union leaders, the difficulties which the industry faced.

While there was general support for the proposal for pressure to be brought on the British shipping industry to place further orders it was argued strongly that the scope for securing orders in this way was limited. The shipping industry now had a modern fleet and still had 3 million tons awaiting delivery from British shipyards. They could not be forced to order ships they did not need. There was no point in adopting measures to rescue the shipbuilding industry which might seriously damage the prosperity of the shipping industry. The difficulties in shipbuilding were faced not only by the British but by the European and indeed the whole world industry. There was a case for action within the European Economic Community both to concert action to deal with Japanese competition and also to deal with the structural unemployment problems faced in a number of Member States. A Community-wide approach could both be beneficial to the British industry and avoid the difficulties which would be faced if Britain pursued a purely national approach.
In further discussion it was pointed out that the Ministry of Defence would need to place a substantial order for ships in coming years. Their planned programme, amounting to £120 million per annum, included 2 large fleet tankers, an underwater research vessel, and fast patrol craft.

It would be possible for these orders to be brought forward, and to be placed outside the specialist producers, but this would depend on funds being made available outside the existing provisions for the Ministry of Defence.

THE FOREIGN AND COMMONWEALTH SECRETARY, summing up the discussion, said that the general view of the Cabinet was that action must be taken to prevent the destruction of the shipbuilding industry. It would be absurd for a major maritime nation to become wholly dependent on overseas suppliers of ships. The Secretary of State for Industry had proposed a variety of measures which might be taken and this action should be kept under review by the Ministerial Committee on Economic and Industrial Policy. The proposal that pressure should be put upon British shipowners to place further orders in British shipyards was approved but the possibility that this might be followed by further steps would need careful consideration. The Ministerial Committee on Economic and Industrial Policy should also examine the possibility of defence orders being brought forward. While the consequences for public expenditure would cause difficulty for all Ministers this would be true of most of the courses of action which were open. The Committee should also take up very actively the question of an initiative within the European Economic Community. This might cover not merely action to deal with the intense competition from Japan but also action on a Community level to deal with the structural unemployment in the industries within Europe. The Secretary of State for Industry, in consultation with the Secretaries of State for Employment and Scotland should consider how best to bring home to all those who worked in the industry, the severe problems which had to be faced.

The Ministerial Committee should arrange to make a further report to the Cabinet on all these proposals at an early date.

The Cabinet -

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

2. Instructed the Secretaries to arrange for the Ministerial Committee on Economic and Industrial Policy to consider further the proposals outlined in the summing up.

3. Invited the Secretary of State for Industry in consultation with the Secretaries of State for Employment and for Scotland to consider how best to bring home to all those in the industry the severity of the situation.

Cabinet Office
16 March 1976
CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 18 MARCH 1976
at 10.30 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

Rt Hon Edward Short MP
President of the Council

Rt Hon Lord Elwyn-Jones
Chancellor

Rt Hon Denis Healey MP
Chancellor of the Exchequer

Rt Hon Michael Foot MP
Secretary of State for Employment

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

Rt Hon Peter Shore MP
Secretary of State for Trade

Rt Hon William Ross MP
Secretary of State for Scotland

Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

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 Anthony Wedgwood Benn MP
Secretary of State for Energy

The Rt Hon Eric Varley 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

SECRET
SECRET

The Rt Hon Fred Mulley MP
Secretary of State for Education and Science

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

The Rt Hon Reginald Prentice MP
Minister for Overseas Development

The Rt Hon John Silkin MP
Minister for Planning and Local Government

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Samuel Silkin QC MP
Attorney General (Item 3)

The Rt Hon Joel Barnett MP
Chief Secretary, Treasury
(Items 5 and 6)

The Rt Hon Brian O'Malley MP
Minister of State
Department of Health and Social Security (Item 5)

SECRETARIAT

Sir John Hunt
Mr G R Denman (Items 1 and 2)
Mr J A Hamilton (Items 5 and 6)
Mr T F Brenchley (Items 2 and 3)
Mr W I Mclndoe (Items 1 and 4)
Mr E J G Smith (Items 1 and 2)
Mr J D Bryars (Item 3)
Mr A M Macpherson (Items 5 and 6)

CONTENTS

Subject Page

1 PARLIAMENTARY AFFAIRS

2 FOREIGN AFFAIRS
   Mozambique
   Rhodesia
   Angola

3 FALKLAND ISLANDS

4 THE CIVIL SERVICE
   Closed Shop

5 PROGRESS REPORT ON THE CONTINGENCY RESERVE

6 WHITE PAPER ON CASH LIMITS

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

2. THE FOREIGN AND COMMONWEALTH SECRETARY said
that the Mozambique Foreign Minister, Mr. Chissano, in his talk
with the Minister of State for Foreign and Commonwealth Affairs,
Mr. Ennals, had asked for an interest free loan of £5 million from
the United Kingdom together with technical assistance. He had
proposed that a British aid mission should go out to Mozambique;
and had given an assurance that any aid we provided would be used
for peaceful purposes. In the United Nations we had been co-
sponsors of the resolution on aid for Mozambique which had been
adopted. Our Permanent Representative to the United Nations,
Mr. Richard, had shown considerable skill in avoiding the danger
of a separate political resolution on Mozambique which we could
have found embarrassing.

THE FOREIGN AND COMMONWEALTH SECRETARY said that he
had received a personal message from President Kaunda of
Zambia to the effect that while the Zambians had earlier supported
negotiations for majority rule they had now to fall back on the
second option for attaining the same objective, namely armed
struggle; but it also made it clear that if we thought that there
was still time to reach a peaceful solution it was for us to work for
it. He felt that the prospects were gloomy but he did not
altogether rule out the possibility that below the surface of
rigidity there could be a crack in the White Rhodesians' resistance
to majority rule. He was awaiting a definitive reply from
President Kaunda and President Nyerere of Tanzania to his
proposal that at the right moment the four African Presidents
and Her Majesty's Government acting jointly might put forward
comprehensive proposals for a settlement.
THE FOREIGN AND COMMONWEALTH SECRETARY said that, following a démarche which the Prime Minister and he had made to the Soviet Ambassador, Mr Lunkov, about the situation in Southern Africa, the latter had yesterday brought him a message from his Government approved by Mr Brezhnev and the Politburo. This must be treated as extremely confidential at this stage but it contained a five point plan communicated by the Government of Angola, designed to permit the South African Government to withdraw their forces from the Cunene Dam, with suitable guarantees for the latter's safety. Mr Lunkov had suggested that we might wish to consider conveying a message on these lines to the South African Government. The situation whereby the Soviet Union acted as the channel of communication with the Angolan Government and the United Kingdom as the channel with the South African Government was not one which he much liked. Nevertheless he had thought it right to pass on the message to the South African Government and he had advised them strongly to seize this opportunity to complete the withdrawal of their forces from Angola. He very much hoped they would accept this advice. If so, there would no doubt have to be arrangements for simultaneous publicity to be given to their withdrawal and to the Angolan guarantees. In a wider context he was greatly encouraged by this development as evidence that the Soviet Union still wished to pursue a policy of détente. In the face of the semi-hysteria on this subject which was developing in the United States during this election year, he regarded it as important that the United Kingdom should do all possible to sustain a calmer atmosphere.

The Cabinet -

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

3. The Cabinet considered a memorandum by the Foreign and Commonwealth Secretary (C(76) 33) inviting them to endorse conclusions reached by the Defence and Oversea Policy Committee on future policy on the Falkland Islands.

THE FOREIGN AND COMMONWEALTH SECRETARY said that a difficult choice of policy on the Falkland Islands had now to be faced. We had earlier decided not to recognise the long-standing Argentinian claim to sovereignty over the Islands. In this we had the full support of the very small population of the Islands, who were of British stock, proud of their links with the United Kingdom and completely dependent on us for their defence. Since February 1974 we had sought to engage the Argentine Government in discussions which would divert them from pressing their claim on sovereignty. In 1975 we had offered talks on British-Argentinian
economic co-operation including the joint development of economic resources around the Falkland Islands. In December there had been signs that this approach might succeed. The then Foreign Minister in the Argentine Government had shown interest, and had suggested adding Argentine personnel to the team which was to make an economic survey of the Falklands under Lord Shackleton's leadership. But subsequently, following a change of Foreign Minister, the Argentinians had backed off and had refused to talk about economic co-operation unless we agreed to talk about sovereignty. They had not allowed Lord Shackleton's mission to pass through Argentinian territory; and in February they had made a premeditated attempt to stop the unarmed Royal Research Ship Shackleton on the high seas, during which they had fired shots over her and across her bows. There was now a real risk of further action against us by the very unstable Argentine Government. This could take the form of occupation or blockade of the Islands; or short of that there was a range of other options open to Argentina, which would be damaging to our interests. As one example, valuable shipbuilding orders were at stake.

We had reached a point, therefore, where we must reconsider our policy. We could decide to stand firm and face the consequences. But in that event the risk of determined Argentinian action against the Islands must be accepted, and to counter it a substantial military and naval force would be needed. The alternative was to move some way towards meeting the Argentine claim without prejudicing the Islanders' wish to remain British. He would start this process by sending the Argentine Foreign Minister Senor Quijado, a personal message proposing that the two Governments should start a fresh dialogue to cover all aspects of the Falkland Islands dispute, including the possibility of British-Argentinian economic co-operation and the nature of a hypothetical future constitutional relationship between the Falkland Islands and Argentina. Rather than a condominium, which the Conservative Administration had considered, he had in mind the possibility of a leaseback solution. These discussions would be without prejudice to either Government's position on sovereignty over the Islands. The Defence and Overseas Policy Committee had favoured this approach. Its difficulties should not be underestimated. We would have to take close account of the Islanders' interests and consultsations with them would have to be handled carefully. There would be fierce criticism in Parliament and elsewhere if the initiative went wrong. But the alternative was distinctly unpalatable. If we stood firm and Argentina struck against the Falkland Islands, we would have to undertake a major and continuing military commitment or accept humiliation.
If the Cabinet endorsed the approach favoured by the Defence and Oversea Policy Committees, he must ask for maximum discretion on timing. Timing was dependent on a number of factors. These included the General Election to be held in the Falkland Islands in May. But many were unpredictable at this stage. He thought it possible that we could play the discussions long; in the past the Argentinians had shown themselves satisfied with protracted and inconclusive talks. The Opposition spokesman on foreign affairs, Mr Maudling, had recently asked to discuss the Falkland Islands with him. He had given him on a Privy Counsellor basis a general indication of the line of action he was now proposing to the Cabinet. Mr Maudling had not dissented, but there was no certainty that the Opposition as a whole would take the same view.

The Secretary of State for Defence said that our garrison in the Falkland Islands, consisting of no more than a force of 37 marines, would be quite unable to withstand a determined Argentinian assault. Nor could a sudden Argentine move against the Islands be countered by reinforcement. Apart from South American airfields, which would be denied to us, the nearest usable airfield was over 3,000 miles away at Ascension Island. There was an airstrip at Port Stanley but this was short and had only the most rudimentary facilities. To defend or recapture the Islands in the face of the efficient Argentinian navy would require a brigade group, some 5,000 strong, supported by a naval force which would have to include HMS Ark Royal to provide air cover. The view of the Defence and Oversea Policy Committee was that we should not be drawn into a major and costly military commitment of this kind, which would involve a very large diversion of forces from the North Atlantic Treaty Organisation.

In discussion it was argued that a message offering talks about sovereignty might be interpreted by the Argentine Government as a sign of weakness and a loss of will on our part to protect the interests of the Islanders. This interpretation might itself encourage the Argentinians to make a physical move against the Falkland Islands. Moreover there could be repercussions in Gibraltar and Belize. Pressure on our position there could grow if we were seen to be contemplating concessions on the Falkland Islands. Nor were we yet clear about the value of the Islands' economic potential. Rather than commit ourselves now to discussions with Argentina on sovereignty, it might be preferable to await the report of Lord Shackleton's mission and then make a considered assessment of the effect on our interests of the alternative courses of action open to us.

On the other hand it was pointed out that the danger of a physical move by Argentina against the Falkland Islands was an immediate one. We were also in difficulty at the United Nations where the Argentine Government would have a fresh opportunity of pressing their case.
against us later in the month. It was true that the present Argentine Government was precarious but no successor to it could afford to adopt a more conciliatory attitude on the Falkland Islands issue. If a confrontation with Argentina was to be avoided, there was no practicable alternative to talks on the lines proposed by the Foreign and Commonwealth Secretary. These would be in confidence and with luck their content would not become known for some time. They would involve no sacrifice of our economic interests since it had long been accepted that the potential oil resources around the Falkland Islands could be exploited only in co-operation with Argentina. It was noted that the question of extending the airfield at Port Stanley was to be considered by the Defence and Overseas Policy Committee and that the positions of the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Minister for Overseas Development were reserved on this matter.

THE PRIME MINISTER, summing up the discussion, said that, although recognising the difficulty of the choice before them, the Cabinet approved the proposals put forward by the Foreign and Commonwealth Secretary. Both the discussions with the Argentine Government and the consultations with the Islanders would require very careful handling: it was therefore essential to maintain secrecy until the Foreign and Commonwealth Secretary was ready to move. The Cabinet agreed that the Foreign and Commonwealth Secretary should have discretion on the timing of each step. They noted that the extension of the airfield at Port Stanley was to be considered further by the Defence and Overseas Policy Committee.

The Cabinet -

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

2. Invited the Foreign and Commonwealth Secretary to proceed accordingly.
4. The Cabinet considered a memorandum by the Lord Privy Seal (C(76) 28) containing proposals for discussions with the National Staff Side on a closed shop for the Civil Service.

THE LORD PRIVY SEAL said that since the rejection by the Cabinet on 12 February of his recommendation that the issue of a closed shop for the Civil Service should be referred to a committee of enquiry a Ministerial Group, under the Prime Minister's chairmanship, had considered what line the Government should take, as employer, in discussions with the Staff Side. This had narrowed, but not removed, the area of disagreement between Ministers. The attitude of the unions was set out in the Annex to his memorandum: the Civil and Public Services Association (CPSA) and the Society of Civil Servants (SCS) were the only unions to be committed to a closed shop; the remaining unions were either not committed or lukewarm; but all were agreed on the need to eliminate the "free rider" problem. Recent legislation had made closed shops legal and the Government therefore, as an employer, had a duty to discuss the issue with the unions. Union membership agreements could be of a very rigid or a very loose kind. In his view, however, it would not be acceptable to the Civil Service or to public opinion generally for the Government to accept an agreement which entailed dismissal from the Civil Service for non-membership of a union. The "free rider" problem, on the other hand, was one which it was in the Government's interest to resolve since it was desirable that the Civil Service unions should be financially sound and well-organised. At present 20 per cent of civil servants did not belong to a union, and this involved a loss of £1.3 million in annual revenues for the Civil Service unions as a whole. He therefore proposed that a working party of the Official and Staff Sides should be set up to consider, without commitment, possible solutions to this problem and that, to avoid misleading the Staff Side, the Government should make clear from the outset that an agreement involving compulsory membership of unions would be unacceptable. He believed that the unions were more concerned with revenue than with membership and that they would be ready to engage in discussions on this basis.

In discussion it was argued that it would be a serious mistake, both tactically and in terms of the Government's overall policy on union membership agreements, to rule out in advance any particular form of agreement. The Government's legislation allowed for great flexibility in the framing of union membership agreements so that they could provide for a wide variety of safeguards and exclusions, including the right to resign from a union on a point of principle which in itself could amount to an objection to union membership as such. If a particular form of agreement were ruled out from the start, this would create great hostility in the CPSA, which was an
Important union from the point of view of the Government's transactions generally, and would place the moderate leadership in a much more difficult position than was necessary. The Government's initial stance in the discussion should therefore be limited to a statement of the special factors which applied to the Civil Service, of the flexibility which the legislation allowed and of the need for very full and adequate safeguards in any arrangements which might be finally agreed. On the other hand, it was argued that the question of compulsory membership raised an important constitutional principle and that to allow discussion of a form of agreement which the Government were unlikely to accept would be both misleading and likely to prejudice the position of the moderates. Some doubt was also expressed whether the figures for non-membership of unions were as large as appeared from the Whitley Council Bulletin which was the source of the information provided in the Annex to the Lord Privy Seal's memorandum.

In further discussion there was a considerable measure of agreement that the question whether to rule out compulsory membership of a union from the outset of the discussions was essentially one of tactics. At the end of the day the Cabinet might well decide against compulsory membership and at some point in the discussions with the Staff Side the Government's position on this question should be specifically reserved. But the timing of this reservation should be left to the Government's negotiators, and there might be advantage in delaying it until the initial attitudes of the Staff Side representatives could be properly assessed. It was also generally agreed that no useful purpose would be served by informing the Opposition of the Government's proposals for a working party since, in the light of their antagonism to the Government's industrial legislation generally, the Opposition might well adopt a public attitude which would prejudice the Government's ability to arrive at a solution which fell short of compulsory membership.

THE PRIME MINISTER, summing up the discussion, said that the majority of the Cabinet clearly felt that a solution involving compulsory union membership was unlikely to be acceptable. On the other hand it would be tactically wrong to take a totally rigid line with the National Staff Side. The reply to the latter should therefore say that a closed or union shop raised special problems for the Civil Service on which the Government must reserve their position. They sympathised however with the Staff Side's concern about the problem of "free riders" and were ready to set up a working party at official level to investigate, without commitment on either side, the various ways of solving or minimising this.
In the light of the working party's discussions the Lord Privy Seal would make recommendations to the Cabinet on which a final decision could be taken. The Cabinet were agreed that, in the meantime, no useful purpose would be served by informing the Opposition of the Government's proposals for a working party.

The Cabinet -

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

5. The Cabinet considered a note by the Chancellor of the Exchequer (C(76) 32) to which was attached a second progress report by the Chief Secretary, Treasury on the state of the Contingency Reserve.

THE CHIEF SECRETARY, TREASURY said that he was presenting a second report on the state of the Contingency Reserve in accordance with the procedure which had been agreed by Cabinet on 5 February. The first of the two tables annexed to his report dealt with the situation for the year 1976-77, and the second covered the whole period to 1979-80. The Contingency Reserve for 1976-77 published in the latest public expenditure White Paper amounted to £700 million at 1975 Survey prices, or £875 million at 1976-77 outturn prices; his further proposals were calculated on the latter basis. So far, firm agreement had been reached on claims against the Contingency Reserve for 1976-77 amounting to £132 million. Further claims, which he considered should be agreed would add another £167 million; this meant that £299 million of the Reserve for 1976-77 would now be committed. Against the remaining balance of £576 million there were already firm bids and other claims totalling £600-£630 million, which was up to £54 million more than the provision which had been made in the White Paper published only the previous month. It was necessary to bear in mind that, other things being equal, any excess expenditure beyond the total of the Contingency Reserve would entail an addition either to taxation or to the borrowing requirement. There was also an important political and presentational aspect to the management of the Contingency Reserve. In the recent proceedings of the Expenditure Committee, he had come under strong pressure to report regularly on progress in managing the Reserve. If the Government's performance in this respect was being kept under close public scrutiny, it was essential that they should not be discredited by over-commitment so soon after publication of the White Paper. If there was any serious
prospect of this, he would have no alternative but to invite Ministers to consider how to correct the situation by curtailing expenditure on particular programmes. Moreover, if the Budget provisions implied higher spending in 1976-77 than was allowed for in the White Paper, this would mean that some claims would have to be dropped. He wished to draw the Cabinet's attention to the difficulties that could arise from certain open-ended programmes such as that on council house building: these might have to be reviewed at some later date.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet approved the additional claims on the Contingency Reserve for 1976-77 set out in paragraph 3 of the Chief Secretary's report. They noted with concern the scale of the prospective demands on the Reserve for 1976-77 and later years. It would be necessary for all spending Ministers to reconsider most critically the need for any claims they had in mind to put forward; it was essential that the maximum possible off-setting savings should be found. One or two further claims had been mentioned in the course of discussion, and the Ministers concerned should refer these to the Chief Secretary.

The Cabinet -

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

2. Approved the additional claims against the Contingency Reserve for 1976-77 listed in paragraph 3 of the Chief Secretary's report.

W H I T E  P A P E R  O N  C A S H  L I M I T S

6. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(76) 31) to which was attached the text of a White Paper on cash limits for publication on Budget Day.

THE CHIEF SECRETARY, TREASURY said that the Government had announced in the White Paper "The Attack on Inflation" (Cmnd 6151) that, starting in 1976-77, extensive use would be made of cash limits and Departments had co-operated closely with the Treasury in setting up the arrangements which were described in the White Paper. It was now necessary for the Government to show their determination to make the new control arrangements work. In the White Paper the main emphasis had been placed on the application of cash limits to the Government's own expenditure, and this was the area in which their performance would be most closely watched. But the arrangements being made for the capital
programmes of the local authorities and the nationalised industries were also important to the credibility of the operation. As to the circumstances in which cash limits could be changed, these were described in paragraphs 18 and 19 of the White Paper. It was most important not to create the impression that reviews of cash limits would be lightly undertaken or that increases would follow automatically. But it would be unrealistic to deny that reviews during the course of the financial year were possible. An undertaking had already been given to local authorities about the circumstances in which the cash limits on the rate support grant would be reviewed. If nothing were said in the White Paper on this question there would certainly be questions about it, and it seemed better therefore to include a considered statement to which questioners could be referred.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet endorsed the White Paper in principle on cash limits, subject to some redrafting of paragraph 19. The Chief Secretary should reconsider the drafting of this paragraph to emphasise that the position might have to be reviewed if the rate of inflation were higher or lower than had been assumed: there might also be some reference to the fact that since this was the first attempt to introduce cash limits, adjustments might be needed because of other unforeseen difficulties. The last sentence of the paragraph did not seem to be wholly appropriate and should be omitted or amended.

The Cabinet -

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

2. Approved the publication on Budget Day of the text of the White Paper attached to the Chancellor of the Exchequer's memorandum, subject to the proposed redrafting of paragraph 19.

Cabinet Office

18 March 1976
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 25 MARCH 1976
at 10.00 am

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council
(In the Chair for Item 6)

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 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 (Items 1 and 2)

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 Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Eric Varley 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

SECRET
The Rt Hon Fred Mulley MP  
Secretary of State for Education and Science

The Rt Hon Reginald Prentice MP  
Minister for Overseas Development

The Rt Hon Robert Mellish MP  
Parliamentary Secretary, Treasury

The Rt Hon John Silkin MP  
Minister for Planning and Local Government

ALSO PRESENT

The Rt Hon Joel Barnett MP  
Chief Secretary, Treasury  
(Items 3 and 4)

SECRETARIAT

Sir John Hunt  
Mr C R Denman (Items 1 and 2)  
Mr J A Hamilton (Items 3 and 4)  
Mr T F Brenchley (Item 2)  
Mr W I McIndoe (Items 1, 5 and 6)  
Mr J A Marshall (Items 3 and 4)  
Mr A D Gordon-Brown (Items 5 and 6)  
Mr A K H Atkinson (Items 1 and 2)

CONTENTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PARLIAMENTARY AFFAIRS</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Bill of Rights</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>FOREIGN AFFAIRS</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Rhodesia</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Angola</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Lebanon</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Soviet Union</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Nigeria</td>
<td>3</td>
</tr>
<tr>
<td>3.</td>
<td>PUBLIC EXPENDITURE PRIORITIES</td>
<td>4</td>
</tr>
<tr>
<td>Item</td>
<td>Subject</td>
<td>Page</td>
</tr>
<tr>
<td>------</td>
<td>---------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>4.</td>
<td>PUBLIC EXPENDITURE SURVEY 1976</td>
<td>7</td>
</tr>
<tr>
<td>5.</td>
<td>PRIVATE PRACTICE IN THE NATIONAL HEALTH SERVICE</td>
<td>8</td>
</tr>
<tr>
<td>6.</td>
<td>JUBILEE MEDALS</td>
<td>11</td>
</tr>
</tbody>
</table>
The Cabinet were informed of the business to be taken in the House of Commons during the following week.

THE HOME SECRETARY said that a group of Ministers, under his chairmanship, had given preliminary consideration to the report of an interdepartmental working group on human rights and had decided to recommend to their Cabinet colleagues that it should be published as a consultation document. The report was neutral in tone and raised questions for discussion, without making any proposals. He had however since heard that the Opposition in the House of Lords intended to move a Motion that afternoon to refer to a Select Committee Lord Wade's Bill of Rights Bill. This would be undesirable and could probably be avoided if the Government could state an intention to publish a consultation document of their own. He therefore sought the Cabinet's agreement in principle to the publication of such a document, the text of which he would circulate to his colleagues for any comments they might have.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet agreed in principle to the publication of a consultation document on human rights and that this intention could be mentioned in the debate on Lord Wade's Bill. The Home Secretary would circulate the proposed text of the document to Cabinet for consideration.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.
2. THE FOREIGN AND COMMONWEALTH SECRETARY said that favourable reactions to the statement he had made in the House of Commons had come in from such diverse sources as the South African Government, President Nyerere of Tanzania and the United States Secretary of State, Dr Kissinger. The South Africans had said that Rhodesia would rapidly feel the effect of the economic stranglehold on her. The South African railway capacity available to Rhodesia was not being increased: the Rhodesians would be hard hit by a 40-50 per cent reduction in their traffic, combined with a 30 per cent increase in their transport costs. The two who had rejected his statement were Mr Smith and Mr Nkomo: the former was to be expected, but the latter had reacted foolishly. The four African Presidents might by now have calmed him down. Our tactics would be to maintain pressure on Mr Smith. There would be no more offers to him from us and he would be left to face his growing difficulties. Either the Minister of State for Foreign and Commonwealth Affairs, Mr Ennals, or a senior official might go out soon to Tanzania to discuss the situation with President Nyerere.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Soviet Union was continuing to play a helpful role. The Soviet Foreign Minister, Mr Gromyko, had admitted that he was having some difficulties in his relations with the Angolans and he had not yet been able to extract from them the assurances the South Africans had asked for, but he had given his own "Informal" view that the Angolans would accept South Africa's requirements. As this amounted to a pledge of Soviet intentions to use their influence on the President of the People's Republic of Angola, Mr Neto, he had recommended to the South Africans that they should withdraw their troops even without confirmation of the assurances. Meanwhile the Russians were joining with us in efforts to defer a debate in the United Nations.

THE FOREIGN AND COMMONWEALTH SECRETARY said that disturbing reports had recently come in that there was a possibility of intervention by regular Syrian forces. The danger was that this might prompt an Israeli reaction. In that case the situation in the Lebanon might be even worse than the anarchy it was at present suffering. He had discussed the problem with the Soviet Foreign Minister, Mr Gromyko, whose presence in London at this time had been very valuable. Mr Gromyko had been ill-informed about the situation but after contacting Moscow he had promised that the Soviet Union would use its influence in Arab capitals to caution moderation and had asked us to give similar advice to the Israelis.
THE FOREIGN AND COMMONWEALTH SECRETARY said that the Soviet side were deliberately playing the visit of the Soviet Foreign Minister, Mr Gromyko, in a low key; for instance by reacting very mildly to representations on certain of their internal policies which they could have treated as provocative. On the commercial front, he had warned Mr Gromyko that the British economy was beginning to pick up and that order books were beginning to lengthen. This meant that the Soviet Union might find themselves faced with capacity constraints in British industry if they deferred placing orders here. Mr Gromyko had assured him that Soviet orders would be placed in the very near future to make maximum use of British credit available to them. It was clear that this Soviet decision stemmed from the improvement there had been in British-Soviet political relations.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Nigerian Federal Commissioner for External Affairs, Colonel Garba, had brought to London a letter from the Nigerian Head of State to the Prime Minister. It was cleverly worded to avoid the word extradition, but it was clear nevertheless that the Nigerians wanted General Gowon extradited. He had explained to Colonel Garba the legal procedures stemming from the Fugitive Offenders Act and had warned him that, while the decision was nothing to do with him, it seemed very doubtful whether a request for extradition would have any chance of succeeding. His hope was that in the light of this Colonel Garba would return to Nigeria and advise against extradition proceedings. It had been evident from his talk with Colonel Garba that the Nigerian Government were now satisfied that Britain had had no part in the attempted coup, but he thought them unscrupulous enough to suggest otherwise if it suited their purpose. From the evidence available to us, it seemed that General Gowon had been indiscreet in his meetings with those involved in the plot, although we had no proof that he had himself been involved in it. In the light of this, we might find it necessary to restrict his future activities through some kind of gentleman's agreement with him.

The Cabinet -

Took note of the statements by the Foreign and Commonwealth Secretary.
3. The Cabinet had before them a note by the Secretary of the Cabinet (C(76) 34) to which was attached a memorandum by the Treasury and the Central Policy Review Staff (CPRS) on public expenditure priorities.

THE CHANCELLOR OF THE EXCHEQUER said that, in setting the guidelines for the forthcoming Public Expenditure Survey, he proposed that the Cabinet should maintain the general priorities between programmes agreed in December and embodied in the recently published White Paper (Cmd 6393). This would not preclude adjustments being made at a later stage of this year’s exercise. In particular, it would be necessary to consider—and as far as possible to quantify—the cost of the Government’s industrial strategy. In this connection, he noted that the results of the sectoral studies which were being carried out under the aegis of the National Economic Development Council (NEDC) would not be available until June: that there were serious problems ahead in the shipbuilding industry; and that a Programme Analysis and Review was in train on regional policy. It was necessary for officials to consider the financial implications of all of these. On local authority expenditure, Ministers might have to look afresh at the open-endedness of such commitments as that on housing, as well as absorbing the outcome of the decisions arising from the Layfield Report. In the central Government field, there was difficulty—as had been foreseen—in achieving the reductions in Civil Service manpower which had formed part of the cuts agreed at the end of 1975, and this too would need to be taken into account. Although the 1976 Survey was based on the maintenance of existing priorities, the Cabinet might wish to review priorities in the course of the 1977 Survey and there were a number of major reviews under way which would help focus these discussions.

In discussion there was general agreement that for the time being a continuation of existing priorities was the right course, but it was noted that there would be both scope and need for various adjustments later in the year. On the industrial strategy, the hope was expressed that it might be possible to get rather more precision into the estimates of cost, but it was recognised that inevitably there would remain some potential demand on the Contingency Reserve. It was pointed out that the shipbuilding industry was not the only place where serious trouble was in prospect, and that the heavy electrical industry, suffering from the reduced need for generating equipment following the increase in energy prices, was also likely to be in serious difficulty. It was to be hoped that the sectoral studies coming up from the NEDC would be something more than a series of calls for more Government money, and it would be important to hold the situation there. In this connection a critical look should be taken at the automatic assistance which was given under regional policy, some of which might perhaps be more beneficially devoted to assistance to particular industries.
In the course of further discussion the following points were made -

a. At the Cabinet meeting on 4 August 1975 it had been agreed that high priority should be accorded to dealing with the problems of inner city areas. The formula cuts applied to the Urban Programme ran counter to this idea and had met a good deal of criticism. This question would have to be re-examined in the light of the forthcoming report by officials.

b. The charts attached to C(76) 34 were misleading because they were expressed in volume terms and not in cost terms, and thus took no account of the relative price effect. One consequence of this was to make the Social Security programme appear to be expanding much more rapidly in relation to other programmes than was in fact the case. Fresh charts on a cost basis should be prepared and made available.

c. The Social Security figure in Chart A in any case needed interpretation. Of the increase of £1,800 million between the 1973 and 1976 White Papers, £400 million was directly attributable to the higher level of unemployment; and £1,100 million to the special uprating in July 1974; so that only £300 million was left for further improvements.

d. At their meeting in December 1975 the Cabinet had agreed that work should be done to identify potential policy changes which could only come to fruition in the longer term. This aspect of the Public Expenditure exercise must be pressed ahead with some energy otherwise useful savings might be missed and the present unsatisfactory tendency to make adjustments across the board would be perpetuated.

e. The expenditure priorities in Northern Ireland were not necessarily identical with those in the rest of the United Kingdom. At the present time, for example, expenditure on industrial regeneration would rank higher than that on housing, and due flexibility must be allowed in setting public expenditure figures.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet were agreed that there should be no change in public expenditure priorities at the present stage and that the 1976 Public Expenditure Survey should be based on the priorities which had been decided in December and embodied in the White Paper published in February. They noted the difficulties on industrial expenditure, and agreed that local authority current expenditure and expenditure on open-ended programmes such as housing, would need to be closely
The charts attached to the paper were interesting but the Treasury and CPRS should prepare a version in cost terms so that the consequences of applying the relative price effect could be seen. The Cabinet had already agreed that potential policy changes coming to fruition in the longer term should be identified in order to produce a more effective discussion of priorities; this work should be pressed ahead energetically. In addition, a number of major reviews were already in hand and the results of these would be available for the discussion of priorities in the course of next year's Survey. Any Minister who had suggestions for further reviews should put them to the Chancellor of the Exchequer.

The Cabinet -

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

2. Agreed that the forthcoming Public Expenditure Survey should be based on the expenditure priorities embodied in the recently published White Paper, Cmd 6393.

3. Agreed that, while industrial expenditure should be quantified as far as possible and included in the relevant programme, much of it must necessarily remain a potential claim on the Contingency Reserve.

4. Agreed that local authority current expenditure and open-ended programmes, such as housing, would need to be very closely monitored by the Departments concerned.

5. Took note that a number of policy reviews were in hand, and invited any Minister who wished to make suggestions for further work to send them to the Chancellor of the Exchequer.

6. Agreed that the work on potential policy changes which would come to fruition in the longer term should be pressed ahead.
4. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C(76) 35) about the basis on which the 1976 Public Expenditure Survey should be conducted.

THE CHANCELLOR OF THE EXCHEQUER said that for the years up to and including 1979-80, the ground rules which were set out in the Annex to his memorandum made provision for the figures in the forthcoming Survey to be essentially the same as those embodied in the February White Paper, subject to any agreed policy or estimating changes and to revaluation to 1976 Survey prices. They also provided for Departments to specify, as possible options, what the effect would be of reductions of 2½ per cent in 1977-78 and 5 per cent in the later years. Material of this kind was essential if Ministers were to have any scope later in the year, when they came to take the next round of decisions, for adding to some programmes while maintaining the overall objective of no change. For 1980-81, which came into the Survey for the first time, he proposed that, in view of the great uncertainties in the medium-term economic outlook, the 1979-80 figures should be used as a base but he did not rule out the possibility that the situation might be reviewed later this year. The Annex suggested the possibility of starting the Survey on 26 March, but it would probably be better to start it on 6 April, so that the effects of the Budget could be taken into account. The aim would be to complete the Survey by the end of June so that Ministers could consider the results in July and take decisions in time for publication of the White Paper in November.

In discussion it was emphasised that it was important to agree that the objective of the exercise was to achieve a standstill in total public expenditure. There was a danger, judging from past experience, that the 2½ per cent and 5 per cent options would all too easily become firm commitments. It was argued that the proposal to display further reductions was unreasonable, since Departments had yielded up in the last round of cuts every penny which could be offered. This was particularly true of Education and Defence where even cuts of 2½ per cent could produce options that were politically unacceptable.

In further discussion it was pointed out that the timetable proposed was so compressed as to be almost unmanageable. It was understood that the Treasury were asking for the standard figures by 15 April and for figures for the illustrative reductions by 30 April. There was a great risk that figures produced so hurriedly would be very unreliable; and there was the serious difficulty that the result of the exercise designed to reduce Civil Service numbers would not be known until after the date when the figures for options should be submitted. It was, however, recognised that completion of the exercise by the end of June was a target which might in the event have to be adjusted.
THE PRIME MINISTER, summing up the discussion, said that what was proposed was essentially a standstill exercise, and after the experience of 1975 this was clearly not unwelcome to the Cabinet. The particular points which had been raised would be noted, but the Cabinet were broadly content with the proposals which had been put forward by the Chancellor of the Exchequer.

The Cabinet -

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

2. Approved the ground rules for the 1976 Public Expenditure Survey as set out in the Annex to the Chancellor of the Exchequer's paper C(76) 35.

5. The Cabinet considered a memorandum by the Secretary of State for Social Services (C(76) 40) containing proposals for statutory control of the private hospital sector.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that on 19 February the Cabinet had agreed that a Bill embodying the "Goodman" proposals for phasing out pay beds should be introduced before Easter, and that she should publish at the same time a White Paper on the control of developments in the private hospital sector. Subject to further consultations with the medical professions, an amendment providing for control over the private sector could then be introduced at the Report Stage of the Bill. She had subsequently been advised that it would be procedurally impossible to introduce such an amendment on Report, since the amendment would be outside the scope of a Bill which contained no provision on the control of the private sector when introduced. There had now been intensive and exhaustive consultations with the professions and representatives of the private sector by her and her officials and by Lord Goodman. Lord Goodman accepted that his package of proposals recognised the need for the Government to be satisfied that private sector developments would not damage the National Health Service (NHS) and that this would involve statutory powers - either to support a voluntary agreement or in default of such an agreement. He also recognised that, because of the procedural difficulty, some powers would have to be included in the Bill at the outset. It was clear that the British Medical Association and the professions would not put forward a voluntary scheme, but the Independent Hospitals Group (IHG) were prepared to consider the possibility of supervision of private sector developments by the independent Board. Last night Lord Goodman had met representatives of all the interests, who had been
accompanied by Dr Gerald Vaughan MP, which underlined the highly political approach being adopted. The proposed scheme of control set out in paragraph 6 of her paper might well prove acceptable to the IHG, though there might be difficulty in reaching agreement on the size of new developments which would be subject to control; and the consultants might then fall into line, although they had retained their freedom to oppose the Goodman package and in particular to ignore the key provision that the Government must be satisfied that private developments would not damage the NHS. Her proposals would give to the Independent Board the responsibility for deciding whether a particular private development would endanger the service which the NHS gave to its patients, and developments outside the acute sector of medicine or which were for less than 75 beds would automatically be exempt. There would be no control over the total size of the private sector. These proposals would make considerable concessions to the professions, making it the more important not to make further concessions on the size of development subject to control. 75 beds had been accepted by the Social Services Committee last November. As Annex B of the paper showed, 19 out of 26 applications known to her Department were for fewer than 75 beds, and Lord Goodman had accepted this as a cogent argument, which he would be putting to the IHG in further discussion that morning. In the light of later information, 75 beds was if anything too high; a hospital of this size would demand considerable skilled manpower, and 38 per cent of NHS hospitals (nearly, 1,000 in all) had 30 beds or less. An alternative would be to exempt developments of less than 100 beds in London and less than 50 beds in the provinces.

In discussion of whether detailed powers of control over the private sector should be included in the Bill as introduced, it was suggested that, although the medical professions were unwilling themselves to put forward a scheme of voluntary control, they might be willing to take part in discussion of such a scheme; and this possibility should be explored before tabling a detailed scheme of control. There was a belief in the professions that the Government wished to squeeze out private practice completely. Friction between the Government and the professions would cause more damage to the NHS, which had survived hitherto in the absence of any control over the private sector, than the establishment of a few private hospitals. It was important that the Government should continue to show willingness to talk to the professions, however unreasonable their attitude or political their motivation. On the other hand, it was pointed out that Lord Goodman had not advised further consultations on the possibility of a voluntary scheme. The Bill had to be introduced by Easter and must contain some kind of provision on the control of the private sector if this matter was to be dealt with during the present Session; there could be no question of introducing a second Bill on the private sector even
later in the Session; and if this Session's legislation were restricted
to the phasing out of pay beds there might then be a rush of
applications for private developments. If further discussions were
to indicate that a voluntary scheme might after all be possible, this
possibility could be taken into account at the time and the Bill
amended accordingly. It had been made clear in Parliament that
the future of private practice generally could be considered by the
Royal Commission.

In discussion of the maximum size of private sector development to be
automatically exempt from the controls, it was suggested that the 75
bed criterion would result in automatic approval for small hospitals
with poor facilities, whereas larger hospitals which could command
specialist facilities and cater for the considerable and important
demand from overseas, eg from the Middle East, for treatment in
this country might not be approved. It was pointed out, however,
that developments of 75 beds or more would only be refused if they
would be damaging to the NHS, and that access to NHS pay beds
would remain possible under the package in relation to specialist
facilities. The suggestion was also made that it might be preferable
to set a higher figure, such as 150 or 125 beds, and to say that this
figure would be reviewed if there was an excessive number of
applications. Against this, it was pointed out that the NHS unions
would regard the concessions already made as going too far, and
any further concessions would lead to great difficulty with them.
Another possibility would be to lay down a number of beds for an area
rather than for each individual development. It would be desirable to
guard against the possibility of several developments of just under
75 beds in close proximity to each other in an area set aside by a
planning authority for private hospitals. The figure which defined
whether or not a development was subject to control would be a
fundamental part of the scheme and would have to be specified in the
Bill itself.

Other points made in discussion were –

a. Grounds of appeal and the avenue of appeal were
   matters of substance, not suitable to be dealt with by
   regulation rather than in the Bill itself.

b. The controls were unlikely to have any practical effect
   in Scotland, where the largest private hospital had less than
   45 beds and there had been no applications for development.

c. There might be difficulty in getting these proposals
   through Parliament, where all the Opposition Parties were
   likely to vote against.
THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that, in view of the technical advice which had been given on the scope of the Bill, and in the light of the consultations which had taken place since the last Cabinet discussion, the right course would be to include in the Bill to be introduced before Easter the detailed proposals for control of the private sector set out in the paper by the Secretary of State for Social Services. The question what size of development should be exempt from control was a difficult one on which Lord Goodman was still in consultation with representatives of the private sector. The view of the Cabinet was that developments of fewer than 100 beds in London, and fewer than 75 beds elsewhere, should be exempt, unless the outcome of Lord Goodman's latest consultations suggested otherwise. The Secretary of State for Social Services should report the outcome of these consultations to her Cabinet colleagues. The Cabinet agreed that an explanation of the control arrangements should be published at the same time as the Bill.

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 proceed accordingly.

JUBILEE MEDALS

6. The Cabinet considered a memorandum by the Secretary of State for the Home Department (C(76) 39) about the issue of medals on the occasion of The Queen's Silver Jubilee.

THE HOME SECRETARY said that The Queen's Silver Jubilee Committee had decided against a general issue of Jubilee medals such as had traditionally been made on occasions of this kind. The decision had been taken mainly on financial grounds but also because there had been a feeling in the Committee that a general issue of medals was, in this day and age, no longer appropriate. The Secretary of State for Defence, however, had taken the view that medals should be issued at least to the Armed Forces. The Official Committee had therefore been asked to consider whether it would be practicable and desirable to issue a medal to the Armed Forces without including civilian services, and, if not, at what point in the range of civilian services a line could suitably be drawn. The Official Committee had recommended that it would be Invidious, and cause a good deal of resentment, to issue a medal to the Armed Forces and some civilian services and not to others. A clear majority of the Ministerial Committee had concluded therefore that no medal should be issued.
THE SECRETARY OF STATE FOR DEFENCE said that he felt strongly that a Jubilee medal should be struck for the Armed Forces. This was a long established tradition which had been honoured at every coronation and jubilee since 1887, and it was an appropriate recognition of the special links of the Forces with the Crown. The issue of a medal would also have a special significance for the Forces since medal ribbons were worn daily on uniforms, and it was the case that the opportunities for earning a medal were nowadays very limited. At the Coronation the issue of medals had extended to only 3 per cent of the uniformed strength of the Forces, and he could accept a similar limitation for the Jubilee, at an estimated cost of £67,000 which he was ready to meet from his Ministry's vote. In his view, it would be difficult to justify the withholding of a medal for such a relatively small sum, particularly since the Armed Forces would be heavily involved in carrying out ceremonial duties during the Jubilee celebrations.

THE LORD PRESIDENT OF THE COUNCIL, summing up a brief discussion, said that a majority of the Cabinet agreed that a Jubilee medal should be issued to the Armed Forces on the basis proposed by the Secretary of State for Defence. Difficulty was however seen in excluding all the civilian services, in particular the police. Officials should therefore, in the light of the Cabinet's decision on the issue of a medal to the Armed Forces, reconsider the feasibility of issuing medals to certain civilian services and not to others. Ministers would then decide whether medals should be distributed more widely than to the Armed Forces and, if so, how far.

The Cabinet -

Took note, with approval of the Lord President of the Council's summing up of their discussion.

Cabinet Office

25 March 1976
CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
FRIDAY 26 MARCH 1976
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 Eric Varley MP
Secretary of State for Industry

The Rt Hon Roy Mason MP
Secretary of State for Defence

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 Anthony Wedgwood Benn 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 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
DIRECT ELECTIONS TO THE EUROPEAN ASSEMBLY
The Cabinet had before them a memorandum by the Secretary of State for Foreign and Commonwealth Affairs (C(76) 44) on direct elections to the European Assembly.

The Foreign and Commonwealth Secretary recalled that following the Cabinet's discussion on 12 February the Home Secretary and he had presented to Parliament a Green Paper and had held discussions with the Parliamentary Labour Party (PLP). Debates had now been arranged in the House of Commons for the following Monday and Tuesday and the House of Lords for the following Monday. He had circulated in Hansard a full note setting out the substance of the text of the draft Convention which would be before the Heads of Government of the European Economic Community (EEC) at the European Council on 1/2 April, although since that text was still subject to inter-Governmental negotiation it would be improper to publish the text itself. At the meeting of the European Council he expected the Prime Minister of Luxembourg, as President, to try to make as much progress as possible; but he thought it most improbable that any firm agreement would be reached. The main question at issue would be the number and distribution of seats in the Assembly. The existing Assembly had proposed that the new one consist of 355 members, and while a somewhat larger size should make it easier to secure an allocation of seats to Member States more closely in proportion to their population, he would not wish to see too large an increase in size. The distribution of seats between the Member States was likely to cause the greatest difficulties. The smaller countries, particularly Luxembourg and the Irish Republic, would strive to maintain the present distribution, which was very much in their favour. France however had proposed a distribution strictly proportional to national population, though in the last resort she might compromise on this. We were faced with considerable difficulties in that on the present proposal the constituent parts of the United Kingdom would be clearly less well-treated than independent Member States with similar populations. We should therefore seek a solution with the greatest degree of proportionality to population as possible, while recognising that exact proportionality would not be negotiable; but we should let the French make the running on this.

Other issues likely to be discussed on 1/2 April included the election date. He considered that the general wish to hold direct elections in May 1978 considerably under-estimated the practical difficulties involved. We had insisted on a derogation which would enable us to continue to nominate members of the Assembly for a time after 1978, even if the others moved to direct elections; but this would cause a number of practical difficulties and we had a considerable incentive to agree to direct elections at the same time as the other Member States. If there were elections in May 1978,
he thought it would be advantageous for both party organisations and the voters to combine them with the local elections. He thought that there was no likelihood of a draft text of a Convention being agreed on 1/2 April, but that the outstanding issues would be remitted to Foreign Ministers, with a view to decisions at the European Council meeting in July. There was no prospect of increased powers for the Assembly, as the French had already made plain, although doubtless the additional legitimisation of direct election would encourage members of the Assembly to press for greater powers.

The House of Commons was now showing more interest in this matter than had been shown at the meeting of the PLP. Three early day motions had been tabled. One, attracting the support of over a hundred Members, principally Labour, urged the Government not to proceed further until a Select Committee had been established and reported on the issue; there was a similar one signed by a small number of mainly Conservative anti-Marketeers; whereas a counter-motion, signed by over a hundred mainly Conservative MPs, had urged progress on direct elections as soon as possible. In the circumstances he thought there was a case for a Select Committee to be established to look into the question at the same time as the Government was discussing it within the EEC machinery, though there would obviously be difficulties for the Government if the European Council and the Select Committee were to come to different conclusions.

In discussion it was agreed that the question of direct elections was not a purely technical issue, but needed to be decided in the light of the sort of Community we wished to see. It was argued on the one hand that we should welcome the democratic control which a directly elected European Assembly would bring. Many Community activities, by their very nature, were not subject to direct control by national Parliaments, and there would have to be accountability either to a European Parliament or not at all. We had been in the van of instituting democratic control in our own country, and could make the greatest contribution in Europe. If other Member States pressed on with directly electing their representatives, as many of them seemed determined to do, our voice would be weakened if we were still nominating our representatives. Moreover there were practical reasons for moving to direct elections as soon as possible. The present dual mandate was a great strain; and if, say, 70 Members of Parliament had to be nominated to the European Assembly the business of the House, especially the committees, would be gravely jeopardised. Under the Treaty of Rome we had a clear legal and moral duty to accept direct universal suffrage and genuinely to move towards it, though we were bound by no time-scale. There were admittedly practical difficulties in a
system of direct elections, such as the relationship between Members of the Assembly and Westminster, and the definition of boundaries for the European constituencies. A Select Committee might be useful to deal with such practical difficulties, if need be by a year or two's delay in introducing direct elections; but delay should not be used as a device to evade our fundamental commitment.

On the other hand it was argued that the issue of direct elections could not be divorced from the issue of powers of the Assembly. Already Members of the Assembly - whether originally favouring EEC membership or not - were demanding greater powers. Direct election was bound to reinforce that demand, especially since it was a misnomer to call the Assembly a "Parliament" as it had no law-making or tax-raising powers. The Tindemans report on European Union had openly recognised that increased powers would flow from direct elections. This would involve irrevocable steps towards a federal Europe - a concept which had not been put before the British people, nor approved by them, in the referendum. There was no popular pressure for direct elections; such pressure as there was came in large measure from the desire of an increasingly powerful Brussels bureaucracy to legitimise itself through elected representatives. Indeed Ministers were often faced with taking or leaving a package which had been constructed by officials. It was pointed out however that, especially in those Councils which met regularly, Ministers were able to exert considerable collective influence and were fully in control of the broad lines of policy.

In any event there was no need for us to rush to a decision. The original Six had had many years to consider the issue; since the final decision to remain a member of the EEC had been taken less than a year previously, there was a case for the present arrangements continuing for a further five or six years. One particular difficulty about introducing direct elections in 1978 was that legislation would be required in the 1976-77 Session, which would already be heavily occupied with the legislation on devolution; this coincidence was to be avoided if possible.

The relationship between the seats in the Assembly likely to go to Scotland, Wales and Northern Ireland in comparison to Denmark, the Irish Republic and the Benelux countries was crucial. Devolution was one of the biggest issues facing the country, and passions ran high. Any arrangement which put those constituent parts of the United Kingdom at such a manifest disadvantage would dangerously inflame the devolution issue. The distribution of seats also had wider implications. European parties would grow up, and it was important to avoid over-representation of those countries likely to elect right-wing members. The relationship between Members of the European Assembly and Westminster required...
Great problems would arise if Labour Members elected to the Assembly looked upon their links as being with a European Socialist group, rather than the British Labour Party, since the two might have significantly different policies; though this danger could be reduced if the British Labour Party took more part in meetings of European Socialist parties. The circumstances of direct elections might encourage the establishment of parties which were not traditionally part of the British political scene, and if the elections were divorced from national elections, could result in a different balance of representation at the European Assembly and at Westminster. This suggested that the link, which would be desirable on grounds of organisation and turn-out, should not be with local elections where in any case there would be a risk of local issues confusing the European ones but with national elections, accepting that this would mean that there would be no fixed terms for Members of the Assembly.

Many practical difficulties in the way of direct elections, such as methods of selecting candidates and of organizing and financing election campaigns, had to be examined and resolved. There was therefore every reason for accepting the suggested Select Committee. Moreover, the Government should not appear to be doing this unwillingly, but positively involving Parliament in this important constitutional development, in contrast to the way Parliament had been treated when the European Communities Bill was before it.

In further discussion there was general agreement that the Government should welcome the establishment of a Select Committee, though its terms of reference and membership would require careful consideration. For example, there might be a case for a Minister chairing the Committee; for it being a joint committee of both Houses; and for constitutional experts appearing as witnesses before it. However, we need not take the lead at the European Council in resisting direct elections in 1978. France saw as many difficulties as we did in the proposal and there was no reason why we should risk arousing opposition to some of our other objections by incurring odium over this when the French could be left to block progress. As other countries came to realise the problems involved, a slower timetable would almost certainly emerge; and other developments, such as the enlargement of the Community, would then be seen to have a bearing on the issue.

THE PRIME MINISTER, summing up the discussion, said that during the forthcoming debate in the House of Commons the Government spokesman should offer to set up a Select Committee. In the light of the views expressed in that debate, the Government would consider the matter further and make recommendations to
Parliament about the Select Committee's terms of reference and related matters. At the meeting of the European Council we should not take the lead in opposing direct elections in 1978 but should encourage debate which would bring out the inherent difficulties. We should make it clear that there would need to be adequate representation for the United Kingdom and its constituent parts, and also that we could not take any final decisions until the report of the Select Committee had been considered by Parliament. Subject to this, our representatives at the European Council should have sufficient freedom of manoeuvre to avoid attracting unnecessary odium.

The Cabinet -

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

Cabinet Office

26 March 1976
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street on
MONDAY 5 APRIL 1976
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 Ernie Varley 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 Anthony Wedgwood Benn MP
Secretary of State for Energy

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

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon William Rose MP
Secretary of State for Scotland

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

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

The Rt Hon Lord Shepherd
Lord Privy Seal

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

The Rt Hon Fred Mulley MP
Secretary of State for Education and Science

The Rt Hon John Silkin MP
Minister for Planning and Local Government

SECRETARY
Sir John Hunt

SUBJECT
THE BUDGET
THE CHANCELLOR OF THE EXCHEQUER informed the Cabinet of the proposals in his forthcoming Budget.

In accordance with precedent details are not recorded in the Cabinet Conclusions.

Cabinet Office
5 April 1976