CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 30th April, 1970, at 10.30 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister

The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign and Commonwealth Affairs (Items 1-4)

The Right Hon. LORD GARDINER, Lord Chancellor

The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department

The Right Hon. FEED PEART, M.P., Lord President of the Council

The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology

The Right Hon. PETER SHORE, M.P., Minister without Portfolio

The Right Hon. GEORGE THOMSON, M.P., Chancellor of the Duchy of Lancaster

The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food (Items 1-3)

The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales

The Right Hon. HAROLD LEVER, M.P., Paymaster General (Items 2-6)

The following were also present:

The Right Hon. ROBERT MELLISH, M.P., Parliamentary Secretary, Treasury (Items 1-4)

The Right Hon. SIR ELWYN JONES, Q.C., M.P., Attorney-General

The Right Hon. RICHARD CROSSMAN, M.P., Secretary of State for Social Services

The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence

The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Local Government and Regional Planning

The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland

The Right Hon. EDWARD SHORT, M.P., Secretary of State for Education and Science (Items 5 and 6)

The Right Hon. GEORGE THOMAS, M.P., Paymaster General

The Right Hon. ROY MASON, M.P., President of the Board of Trade

The Right Hon. LORD SHACKLETON, Lord Privy Seal

The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week. Subject to the views of the First Secretary of State, who was unable to be present, it was agreed that the debate on the Second Reading of the Industrial Relations Bill should be held after the Whitsun Recess so as to allow the Government's supporters more time to study its provisions. The date on which the debate would be held should, however, be announced before the Recess, if possible.

The Cabinet were informed that, subject to the progress of business, it was proposed that the House should rise for the Whitsun Recess on Friday, 15 May and return on Monday, 1 June.

2. The Foreign and Commonwealth Secretary said that South Vietnamese forces had crossed into Cambodia with the object of destroying the North Vietnamese and Vietcong bases which had been established there under the régime of Prince Sihanouk, in violation of Cambodian neutrality. Since Prince Sihanouk had been overthrown, attacks on South Vietnam from these bases had been intensified; and it was not yet clear whether the South Vietnamese action would be a once-for-all operation or whether it would continue. Meanwhile, categorical statements on the matter should be avoided. In any public statement which might have to be made we should take the line that these developments emphasised the importance of a political settlement and of the re-establishment of genuine Cambodian neutrality. To this end, it would be desirable to reactivate the International Control Commission and reconvene the Geneva Conference. The President of the United States, Mr. Nixon, had decided to support the South Vietnamese action, and was likely to make a public statement to this effect in the near future. While we should avoid dissociating ourselves from the United States, we should be equally careful not to endorse the action they had taken, especially in view of our position as Co-Chairman of the Geneva Conference.

In discussion it was suggested that President Nixon's decision might have far-reaching consequences in terms of renewed United States involvement in Indo-China. If it were to lead to an increased United States commitment, a slowing down in the rate of withdrawal of United States troops and a setback to the policy of Vietnamisation of the conflict, there would be liable to be widespread adverse
reactions both in the United States itself and elsewhere. In these circumstances, it was arguable that we should seek to exert a positive influence on the United States in order to prevent an extension of the war and to secure the continuance of a policy of withdrawal of United States troops. On the other hand the extent and scope of operations in Cambodia were as yet unknown; and more suitable opportunities for urging our viewpoint on the Americans might arise after President Nixon had made his expected statement.

The Cabinet—
1. 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 Israeli Government had issued an announcement on 29 April to the effect that Soviet pilots were now flying operational missions from military installations in the United Arab Republic (UAR) under Soviet control. A Private Notice Question had been put down in the House of Commons on this subject for reply that day; but the Question might not be allowed. Our information was that there were Soviet pilots in the UAR, that they had been engaged in training activities but that they had not so far been used over Israeli or Israeli-occupied territory or for interception of Israeli aircraft over the UAR itself. In making this announcement, the Israeli authorities may have hoped to strengthen their case for increased supplies of military aircraft from the United States.

The Foreign and Commonwealth Secretary said that he had visited Japan to attend the 1970 Exposition and hold the usual annual talks with the Japanese Government. Our participation in the Exposition was showing satisfactory results. Though we had spent less on our pavilion than the United States or the Soviet Union, or indeed France or Germany, it appeared to have achieved its objective of presenting Britain as a country with an advanced modern industry and technology as well as historic traditions. The Japanese Government had appeared to be impressed by the recovery in our economic position. They had expressed concern about developments in the Far East and regret at the impending withdrawal of our forces from East of Suez: but they seemed to envisage their own role as being restricted to the provision of economic aid and the encouragement of economic and technical co-operation in the area, and were evidently reluctant to become involved in its defence by military means.

The Foreign and Commonwealth Secretary had also visited Hong Kong. The economy of the Colony was flourishing and was
now supporting a population of some 4 million. But in the face of the threat from China, increasing prosperity had brought with it no demand for increased participation by elected members in the processes of government.

The Foreign and Commonwealth Secretary said that the situation had eased over the past few days. In Trinidad the mutiny in the Trinidad and Tobago Regiment had been virtually brought to an end as a result of the negotiations with the mutineers conducted by the former commander of the Regiment, Colonel Serrette: but some mutineers had disappeared, taking their arms with them, and were still unaccounted for. Meanwhile HMS Jupiter remained off Port of Spain. In Grand Cayman, demonstrations had been instigated by land speculators, who had hoped to frustrate the Government’s attempts to control their activities. There was some danger that Black Power agitators might attempt to take part in the agitation; but the authorities appeared to have the situation under control and HMS Sirius remained in the vicinity of the island. In Antigua the threat of disturbances associated with the strikes of dock workers and civil servants appeared to be receding.

The Foreign and Commonwealth Secretary said that, following our refusal to modify our offer of aid covering the five years from 1 April, 1969, on the basis of 50 per cent loan and 50 per cent grant, the Maltese Government had defaulted on the servicing of the loans which we had made to them. The United Kingdom High Commissioner had protested. The Maltese Prime Minister Dr. Borg Olivier, had not laid undue stress on the dispute with the United Kingdom over aid in his Budget speech: and it was possible that discussions might be resumed. But the situation was unsatisfactory; and it might prove necessary for him to invite the Cabinet to reconsider the earlier decision on aid.

The Cabinet—
2. Took note of the statements by the Foreign and Commonwealth Secretary.

*3. The Foreign and Commonwealth Secretary said that the General Secretary of the Nigerian National Sports Council, Mr. Ordia, who was also President of the Supreme Council for Sport in Africa, had recently informed the United Kingdom High Commission in Lagos of his intention, in the latter capacity, to announce that no African team would attend the Commonwealth

* Previously recorded in a Confidential Annex
Games to be held in Edinburgh later this year unless the Cricket Council's decision to invite a South African cricket team to visit England was reversed. Information from African Commonwealth countries suggested that not all of them would be in favour of a boycott of the Commonwealth Games if the South African tour took place; but few were likely to be willing to face the criticism they would incur by opposing it.

The Prime Minister said that the Cricket Council's decision to persist with the South African tour had created a difficult situation. Expenditure of some £2.3 million, of which £3 million was from public funds, had been incurred in Scotland on preparations for the Commonwealth Games. Though some African Commonwealth countries might be unenthusiastic about a boycott, they were unlikely to oppose it. On the contrary, support for the boycott might spread to other non-white Commonwealth members; and the final outcome might be a Commonwealth Games meeting at which representation would be preponderantly from the white members of the Commonwealth. This raised implications which went beyond the sphere of sport. He had accordingly directed that developments should be kept under the close review by the Departments concerned; and an interdepartmental committee under the chairmanship of the Minister of State, Ministry of Housing and Local Government, had already considered certain aspects of the problem, in particular ways and means of applying indirect pressure to the Cricket Council with a view to persuading them to reconsider the South African tour.

The Home Secretary said that he had already had a discussion on this subject with the Opposition spokesman on home affairs, Mr. Hogg. In the course of this he had been at pains to make clear to Mr. Hogg that the difficulties which had arisen stemmed from the Cricket Council's decision to let the tour proceed and not from any action by the Government. The Council were now attempting to blame the Government for the consequences of their own obduracy; but this should be resisted. The Commissioner of Police for the Metropolis was confident that the Metropolitan Police could deal with any demonstrations against the South Africans arising out of matches played in London. But this might be too optimistic a forecast, since, although the main organisations opposing the South African tour had disclaimed any intention of violence, demonstrations initiated by them might be exploited by others who were less scrupulous. At Lord's, a charge would be made to the Marylebone Cricket Club (MCC) only in respect of those police who were actually on duty inside the ground. The maintenance of order outside the ground was a normal police commitment and chargeable to public funds. The charge would be
at the full rate of £11-£12 per man per day; and, since some 100 police would be required inside the ground, this would represent a strain on the resources of the MCC and of other cricket clubs, which might induce them to reconsider the desirability of proceeding with the matches which were envisaged. Some police forces outside London had indicated that they would charge less than the full scale; but the Commissioner for the Metropolis would discuss the matter with the Chief Constables concerned with a view to securing the maximum of uniformity of practice with London. It would be legally and administratively possible to ban the tour. But the necessary amendments to the instructions to Immigration Officers, though they would not require the formal approval of Parliament, would have to be laid before the House of Commons; and it would be difficult to avoid a major debate, with unpredictable consequences. Meanwhile, he had received from the organiser of the “Stop the 70 Tour Campaign”, Mr. Peter Hain, a letter asking for assurances that the police would not adopt discriminatory methods in dealing with any demonstrations. He proposed to return a firm reply, pointing out that police policy for the control of demonstrations was well known and that no such assurances were necessary.

In discussion there was general agreement that it would be inadvisable to take direct Government action with a view to stopping the South African cricket tour. Although it was perhaps unlikely that the Cricket Council would now cancel the tour, public opinion seemed to be moving against it. The police, however, would have a difficult task; and it was important that insinuations such as those contained in Mr. Peter Hain’s letter to the Home Secretary should be firmly rebutted. It was suggested that, if evidence came to light suggesting that the Stop the 70 Tour organisation or other bodies opposed to the South African tour were concerting plans to interfere with cricket matches against the South Africans, this might lay them open to prosecution for conspiracy, even before such plans had actually been put into operation. It was therefore important that nothing should be said in correspondence with Mr. Hain or any of the other parties concerned which might prejudice this possibility. On the other hand a prosecution for conspiracy was less likely to be effective than one based on an actual breach of the peace.

In further discussion reference was made to the employment by the MCC and other cricket clubs of personnel and guard dogs from private security agencies. While there was no objection to such measures for the protection of grounds and premises which were the property of the clubs, the control of crowds and the
maintenance of order at matches should be enforced by, or under the direction of, the police and there should be no question of their being supplanted for these purposes by private agencies.

The Cabinet—

Took note of the statements by the Prime Minister, the Foreign and Commonwealth Secretary and the Home Secretary and of the points made in discussion.

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4. The Cabinet considered a note by the Secretary of the Cabinet (C (70) 56) to which was attached a memorandum by the Minister of Defence for Equipment on the closure of Glyncorrwg colliery.

The Prime Minister said that he had received representations from the Minister of Defence for Equipment about the proposed closure of the Glyncorrwg colliery. The Minister had no Departmental interest in the colliery which was situated in his constituency. While there could be no question of allowing decisions to be reopened in Cabinet on purely constituency grounds, this particular case appeared to involve wider considerations which had not so far been collectively considered by Ministers. In the ordinary way he would have arranged for the matter to be referred, in accordance with precedent, to the appropriate Cabinet Committee; but as the colliery was due to be closed on the following day this had not been possible. He had accordingly thought it right, exceptionally, to bring the matter to the attention of the Cabinet.

The Paymaster General said that, following the meeting of the Ministerial Steering Committee on Economic Policy (SEP) on 8 April, he had asked the Chairman of the National Coal Board (NCB), Lord Robens, to reconsider his decision to close the colliery. Lord Robens had, however, advised him very strongly that this would be a mistake. Working conditions at Glyncorrwg were bad and unpleasant for the men; and this had led to feelings of frustration among both men and management, with the result that the colliery suffered from a continuous spate of disputes and high absenteeism. Lord Robens had assured him that the men concerned recognised that the natural conditions were insurmountable and that the colliery had to close; and that the NCB would be able to offer virtually all the men under 55 years old jobs at other collieries where they were urgently needed. In these circumstances, he did not feel justified in making a specific offer to cover losses under the Coal Industry Act in order to keep the pit open.

The Secretary of State for Wales said that he had been in close touch with the Paymaster General throughout and accepted his
decision. Glyncorrwg was an inaccessible and isolated village; and Lord Robens’ view that, given the bad physical conditions, it was in the men’s best interest that the pit should close would be generally accepted locally. There was no disposition on the part of the National Union of Mineworkers to try to save the colliery, though their attitude had radically altered when they learned that the NCB proposed to import smokeless briquettes from France.

In discussion it was agreed that there were no grounds for seeking to halt the closure of the colliery. The decision to import briquettes could, however, damage the Government’s relations with the miners which were at present generally good, and its implications should be fully examined. Further consideration should also be given to the effect of the NCB’s failure to provide adequate supplies of smokeless fuel on the Government’s attempts to combat pollution; and to the wider problems arising from the use of North Sea gas and the growing pressure for clean air.

The Prime Minister, summing up the discussion, said that the Cabinet endorsed the action taken by the Paymaster General and agreed that the decision to allow the colliery to be closed should stand. Ministers should consult the Paymaster General before making any public reference to the closure or to the NCB’s behaviour in relation to the Glyncorrwg colliery or the supply of smokeless fuel. He would arrange for SEP to consider urgently the wider problems which had been raised in the discussion.

The Cabinet—

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

5. The Cabinet considered memoranda by the Minister of Technology (C (70) 53) and the Chief Secretary, Treasury (C (70) 55) about financial assistance to private industry.

The Minister of Technology said that on 12 January the Ministerial Steering Committee on Economic Policy (SEP) had invited him, in consultation with the Chief Secretary, Treasury, and the Minister of State, Board of Trade, to give further consideration to the implications of the decision to meet the liabilities of Beagle Aircraft Limited in the light of the Attorney General’s advice. While the Government were not legally bound by the provisions of the Companies Acts relating to fraudulent trading, they were under a political, if not a moral, obligation to refrain from acting in ways which, if indulged in by others, might be held to be in breach of
them. Where the Government intervened in the private sector, the most important factor affecting their indirect liability to the creditors of the company concerned was the extent to which their activities might have created a legitimate presumption that they stood behind the company. The entire circumstances of the Government's involvement rather than the particular form of their interest were crucial. There were great difficulties in limiting the Government's potential liabilities. In some cases, the purpose of Government intervention was to restore confidence; and this could not be achieved unless they were seen to stand behind the company concerned. If financial assistance were provided and its use by a weak management were left unsupervised, there was a risk of the money being lost and matters going from bad to worse; but if the Government supervised the management of the firm there was a risk of their acquiring a responsibility towards the company's creditors. Moreover, although it might be desirable for assistance to be provided through an outside body wherever possible, this could only be done where independent statutory bodies such as the Industrial Reorganisation Corporation and the Shipping Industry Board were prepared to co-operate. If the Government decided to intervene, they must be prepared to meet the costs of doing so; but they should not enter into such commitments without a full awareness of the implications. Further consideration should be given to the possibility of drawing up a code of conduct on the lines suggested by the Chief Secretary, Treasury, but taking full account of the difficulties likely to be encountered in practice.

The Chief Secretary, Treasury, said that, while there was a long established code of conduct (partly enshrined in company legislation) to govern the actions of private industry, there was no established philosophy or practice governing intervention by the Government in individual private firms. It was not generally appropriate to claim the protection of Crown exemption from statutory requirements. If, however, the advice of the Law Officers on the circumstances which might amount to fraudulent trading were accepted—though the standards indicated were much stricter than those actually applied in commercial life—it might not be possible for the Government to intervene where the public interest reasonably required it to do so except at an undetermined and potentially prohibitive cost. Satisfactory control of public expenditure could not be maintained in these circumstances. In the light of experience and of the legal advice received, he suggested that the Ministers concerned might be invited to draw up a code of conduct on the lines indicated in his memorandum. This should both ensure that the full potential liabilities were taken into account before the Government intervened in the affairs of a company; and that the form of the intervention was such as to minimise the risk of...
incurring additional liabilities. In the meantime, no implied commitments should be made to the managements of firms which the Government had assisted or were considering assisting.

In discussion it was emphasised that where the Government acted in such a way as to create a legitimate expectation that it stood behind a company they would become liable, in terms of political reality, to meet its debts. The Government could hardly continue to enforce the Companies Acts if they were themselves acting in breach of the spirit of their provisions. In spite of the difficulties, it would be helpful if a code of conduct were drawn up; and all decisions to intervene in a company’s affairs should be taken only in the light of legal advice as to the extent of any liabilities which might be implicitly assumed.

The Prime Minister, summing up the discussion, said that the Chancellor of the Exchequer, in consultation with the Minister of Technology and the Attorney General, might be invited to arrange urgently for a group of senior officials to consider the problem further in the light of the discussion and to draw up a code of conduct on the broad lines suggested by the Chief Secretary. This might cover, inter alia, the need for a standard system of monitoring the performance of companies to which the Government had given selective financial assistance so as to provide early warning of any deterioration in the company’s prospects; the need to ensure that, when the possibility of assisting a particular company was first considered, as much information as possible was available about the potential long term liabilities so that they might be taken into account before decisions were taken on the extent or form of assistance; the information which should be sought from an assisted company when it had ceased to be financially viable on its own and the amount and type of information which Government could require a company to supply without becoming involved in its management; and the relative disadvantages of grants, loans and shareholding as a means of assisting companies which were in financial difficulty. In the meantime, it was important to ensure that Ministers had adequate advance warning of, and time to consider, any further proposals to assist companies in difficulty. The Minister of Technology should report to SEP as soon as possible on the complex of problems involving Rolls-Royce, the RB-211 engine and the A.300B and BAC-311 aircraft projects. It would also be helpful if he informed SEP about the problems of Short Brothers & Harland and the likely nature and timing of any decisions which might be required, particularly in view of the wider implications for Northern Ireland.
The Cabinet—

(1) Invited the Chancellor of the Exchequer, in consultation with the Minister of Technology and the Attorney General, to arrange for officials to examine the possibility of drawing up a code of conduct on the lines indicated in the Prime Minister's summing up of their discussion; and to report the outcome to the Cabinet.

(2) Invited the Minister of Technology to report to SEP as soon as possible the latest position in respect of Rolls-Royce and the associated aircraft projects on the lines indicated by the Prime Minister in summing up.

6. The Cabinet considered a memorandum by the Paymaster General (C (70) 54) about the shipbuilding industry. They also had before them his memorandum (SEP (70) 50) about the future of the Cammell Laird Group.

The Paymaster General said that the assistance which the Government had given to the shipbuilding industry following the report of the Shipbuilding Inquiry Committee under Mr. R. M. Geddes and the Shipbuilding Industry Act 1967 had enabled the industry to obtain a larger share of an increasing world total of orders for new ships. Most firms had full order books. Many orders had, however, been taken at prices which made insufficient allowance for cost escalation; even the better managements had booked vessels at such low prices that they were faced with losses on current contracts. A number of firms were already in difficulty and clearly had no reserves to meet the problem. These included Upper Clyde Shipbuilders, Harland & Wolff and the Cammell Laird Group. A number of other firms were expected to run into cash flow problems arising from current unprofitable contracts. The industry had a long history of instability, and Government assistance would be required for some years yet unless they were prepared to see forced liquidations with massive redundancies in areas already suffering from unemployment and damaging consequences for the balance of payments. In the immediate future, it would be unrealistic to expect full viability from the shipbuilding firms and he hoped that the Committee would agree that the Minister of Technology should use his powers under the 1967 Act to prolong the life of the Shipbuilding Industry Board (SIB) for one year from the end of 1970; this might be conveniently announced that afternoon in the course of the Second Reading Debate on the Shipbuilding Industry Bill.
The Cammell Laird Group had serious financial problems. The failure of their shipbuilding activities, which employed some 8,000 people, might lead to the failure of the Group as a whole which had a further 12,000 employees. He considered that it would be wrong to allow the Group to collapse in disorder. At his request, the Industrial Reorganisation Corporation (IRC) had reviewed the position urgently; and they had put forward constructive proposals designed to mobilise the assets of the Group as a whole and to enlist the help of the shipyard’s principal customers. Under this scheme, the Group’s shipbuilding interests would have been hived off and a 50 per cent interest in them sold to the SIB. The IRC would then lend the Group £4–£5 million secured on its non-shipbuilding assets; and the shipowners would make available another £4 million or so through increased prices or loans. The parent company would pass these sums on to the shipbuilding company, leaving it free of loss and with enough assets to enable it to raise working capital to see it through its current shipbuilding commitments. However, the SIB were unwilling to subscribe for any shares in the shipbuilding company, though they were prepared to assist in the reorganisation of the yard. The IRC, on the other hand, were not prepared to go ahead with the scheme as a whole unless a 50 per cent shareholding could be sold either to the SIB or to some other shipbuilding group, so making it clear that the IRC themselves were associated only with the management of the non-shipbuilding sector of the Group. Discussions were continuing. He invited the Cabinet to agree that he should continue exploring the possibility of a rescue operation on the lines indicated, but without entering into any commitments. It should, however, be appreciated that the shipbuilding company would continue to make losses for, say, the next two years. The shipping companies would not be prepared to put in large sums unless they obtained some assurances from the Government that the yard would continue until the vessels they had ordered were completed. The losses in the meantime might be quite considerable and it was not possible to put a realistic value on the assets of the yard if there were to be an eventual liquidation.

In discussion it was suggested that if a large continuing commitment to the shipbuilding industry were foreseen, the Government should undertake an urgent internal review of its policy towards the industry. The key to the industry’s problems lay in the slow improvement of productivity which was substantially below that of other European countries as well as Japan.

The Prime Minister, summing up the discussion, said that the Cabinet endorsed the proposal to extend the life of the SIB for a further year. The Ministerial Steering Committee on Economic
Policy might resume discussion of the problems of the shipbuilding industry the following week. In the meantime, the Paymaster General, in consultation with the Chief Secretary, Treasury, might continue his discussions about the future of the Cammell Laird Group, though without entering into commitments.

The Cabinet—

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

(2) Agreed that the life of the Shipbuilding Industry Board should be extended by one year from the end of 1970.

(3) Invited the Paymaster General, in consultation with the Chief Secretary, Treasury, to continue his discussions on the future of the Cammell Laird Group.

Cabinet Office, S.W.1,

30 April, 1970.