CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Monday, 26 October, 1970, at 11.30 a.m.

Present:

The Right Hon. EDWARD HEATH, M P, Prime Minister
The Right Hon. REGINALD MAUDLING, M P, Secretary of State for the Home Department
The Right Hon. LORD HAILSHAM OF ST. MARYLEBONE, Lord Chancellor
The Right Hon. WILLIAM WHITEHALL, M P, Lord President of the Council
The Right Hon. SIR KEITH JOSEPH, M P, Secretary of State for Social Services
The Right Hon. ROBERT CARR, M P, Secretary of State for Employment
The Right Hon. GORDON CAMPBELL, M P, Secretary of State for Scotland
The Right Hon. PETER WALKER, M P, Secretary of State for the Environment
The Right Hon. JAMES PRIOR, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. SIR ALEC DOUGLAS-HOME, M P, Secretary of State for Foreign and Commonwealth Affairs
The Right Hon. ANTHONY BARBER, M P, Chancellor of the Exchequer
The Right Hon. LORD CARRINGTON, M P, Secretary of State for Defence
The Right Hon. GEOFFREY RIPPON, Q C, M P, Chancellor of the Duchy of Lancaster
The Right Hon. MARGARET THATCHER, M P, Secretary of State for Education and Science
The Right Hon. THE EARL JELLCIOE, Lord Privy Seal
The Right Hon. PETER THOMAS, Q C, M P, Secretary of State for Wales
The Right Hon. JOHN DAVIES, M P, Secretary of State for Trade and Industry and President of the Board of Trade

The following were also present:

Mr. MAURICE MACMILLAN, M P, Chief Secretary, Treasury (Item 4)
The Right Hon. FRANCIS PIM, M P, Parliamentary Secretary, Treasury (Items 1–3)

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The Right Hon. SIR PETER RAWLINSON, Q.C., M.P., Attorney-General

SECRE
Secretariat:

SIR BURKE TREND
SIR ROBIN HOOPER
Mr. P. E. THORNTON
Mr. N. F. CAIRNCROSS
Mr. B. G. TUCKER
Mr. G. F. KEAR

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SECRET
1. The Foreign and Commonwealth Secretary said that the Canadian Government had been conducting a wide-ranging security operation against the Front de Liberation Quebecois (FLQ), involving the detention and questioning of some 400 people. But there was no further news of the United Kingdom Trade Commissioner in Montreal, Mr. Cross; and the fact that there had been no message from him for five days was not encouraging. The Canadian Government had expressed their appreciation of the restraint which we had shown and had indicated that they would welcome any suggestions for further action that we might wish to make. For the present, however, we had no proposals to put forward. During his visit to New York, he had telephoned Mrs. Cross, who was enduring her ordeal with courage and dignity.

The Foreign and Commonwealth Secretary said that during his visit to New York to attend the 25th Anniversary celebrations of the United Nations he had discussions with the Foreign Ministers of France, the Soviet Union and the United States, the other three Powers concerned in the Four-Power negotiations about the Arab-Israel problem. Their discussions had been inconclusive and had ended with the issue of a communique calling for an early reactivation of the mission of the United Nations Secretary-General’s Special Representative, Dr. Jarring. It was unlikely, however, that Dr. Jarring would be able to resume his activities very soon. During the meeting the Soviet Foreign Minister, Mr. Gromyko, had urged the United States Secretary of State, Mr. Rogers, to put further pressure on the Government of Israel. Mr. Rogers had replied that the United States Government considered that they had already gone to the limit in this respect. The discussions had thus ended in deadlock. The situation was not improved by the fact that the Israeli Prime Minister, Mrs. Golda Meir, in conversation with the United States President, Mr. Nixon, and Mr. Rogers had indicated that the Government of Israel would be unwilling to begin discussions with Dr. Jarring until the United Arab Republic (UAR) had removed from the cease-fire zone along the Suez Canal at least some of the missiles which had been deployed there in contravention of the cease-fire agreements. The Government of the UAR, however, appeared to be increasing the deployment of missiles. The position was therefore not encouraging. Mr. Gromyko had indicated, however, that the Soviet Union might in certain circumstances be prepared to guarantee the security of Israel; and some progress might be possible on these lines if the Soviet Government could be induced to modify their insistence on the complete withdrawal of Israeli forces from all territories occupied since 5 June, 1967, and to recognise the necessity of minor rectifications designed to give
Arms Supplies to South Africa; discussions with African Commonwealth Leaders
Previous Reference: CM (70) 12th Conclusions, Minute 2

Israel defensible frontiers. He would be pursuing this question with Mr. Gromyko, who would be arriving in London for discussions that day.

Meanwhile, the United Nations General Assembly debate on the Middle East would shortly be beginning and was expected to last about a fortnight. It was likely that in the course of the debate the Afro-Asian countries might table amendments calling for the total withdrawal of Israeli forces from the occupied territories. If so, we might be placed in a difficult position and should have to take our stand on the terms of the General Assembly's Resolution No. 242 of 22 November, 1967.

The Cabinet—

(i) Took note of the statements by the Foreign and Commonwealth Secretary.

The Foreign and Commonwealth Secretary said that during the visit which the Prime Minister and he himself had just paid to New York they had been able to meet almost all the African Commonwealth leaders with whom discussion had not previously been held, with the exception of the Nigerian Foreign Minister, Mr. Arikpo, who would, however, shortly be visiting London. In general the African leaders had shown little appreciation of the realities of the situation as regards Soviet penetration of the Indian Ocean. They did not accept that, e.g., the Soviet intervention in Czechoslovakia in 1968 offered any analogy; and they appeared genuinely to believe that the gradual extension of Soviet naval power in the Indian Ocean area did not present them with any threat which they could not keep under control. They appeared to be obsessed with the issue of racialism in South Africa to an extent which blinded them to the Communist threat and made rational discussion virtually impossible. While they were prepared to admit that the Simonstown Agreement should not be abrogated, they did not accept that it imposed on us any obligation to supply arms to South Africa and they had argued that we should not do so. They had pointed out that South Africa could in any case obtain arms from other sources, e.g. France; and they had argued that South Africa needed British support too much to denounce the Agreement if we refused to supply arms. A disquieting feature of the discussions was the extent to which the African leaders—especially the President of Tanzania, Mr. Nyerere, and the President of Zambia, Mr. Kaunda—appeared to have abandoned any idea of co-existence with South Africa. They seemed to consider themselves as being in a state of virtual war with South Africa; and they saw no alternative to the use of such limited force as they could bring to bear, for example, through support for the so-called "freedom fighters". In these circumstances, they had been wholly unresponsive to our suggestions that they should accept the South African offer of a non-aggression pact, even if we were in some way associated with it. In the long...
term, it might be possible to secure African acquiescence in our supplying arms to South Africa on the basis that we were providing replacements for existing equipment; and we might then hope to move on to a less restrictive policy. But this was likely to be a difficult and protracted matter; and our approach to the whole problem would require to be further discussed by the Cabinet.

The Prime Minister said that it had been clear in New York that the Commonwealth African leaders had been intensively canvassing for the support of other Commonwealth representatives. The "Francophone" Africans on the other hand, had taken a more relaxed view of the South African problem and were less obsessed with the racial issue.

In discussion, some concern was expressed that the Government of Nigeria, who had hitherto not taken a prominent part in controversy on the South African issue, now appeared to be becoming more openly opposed to the supply of arms by Britain. This might have repercussions on our important economic interests in Nigeria. An opportunity for stating our case would arise during the Nigerian Foreign Minister’s forthcoming visit to London; and further consideration should also be given to the possibility of a visit to Nigeria by a British Minister.

The Cabinet—

(2) Took note of the statements by the Foreign and Commonwealth Secretary and of the points made in discussion.

(3) Agreed to resume their discussion of policy in regard to arms supplies to South Africa at an appropriate time.

The Prime Minister said that during his visit to New York he had had a discussion with the Japanese Prime Minister, Mr. Sato, in which useful progress had been made on trade policy generally and, in particular, as regards our common interest in seeking to ensure that the United States Government should not, as a result of legislation now in contemplation (the "Mills Bill"), adopt an unduly restrictive attitude towards textile imports.

The Prime Minister said that in discussions with the Irish Prime Minister, Mr. Lynch, the latter had told him that the acquittal in the recent arms smuggling case of the defendants—who included one of his own ex-Ministers—had put him in a difficult position. He now faced the risk that an attempt might be made in the Dail to challenge his Government, possibly on his proposals for an incomes policy. If the Government were to be defeated, his Administration might not survive the ensuing General Election.

The Cabinet—

(4) Took note of the statements by the Prime Minister.
2. *The Secretary of State for the Environment* said that on 23 October the Government had been advised that there was a health hazard in the London borough of Tower Hamlets, where large piles of rubbish contained decaying offal. The local authority had been unable to make arrangements to deal with this situation and had asked for Government assistance. After consultation with the trade unions concerned at national level had confirmed that their local members would not help to remove the rubbish, Servicemen had been deployed during the early hours of 24 October to clear it. There had been no other requests for assistance from local authorities; and in general sewage systems were being kept working. A continuous check was being maintained on the quality of river water; and there was still no serious increase in pollution. Nevertheless, the need for action similar to that which had been taken at Tower Hamlets could arise at any moment.

Meanwhile Sir Jack Scamp had been appointed by the local authority employers and the trade unions to preside over an independent inquiry into the pay dispute. Only some 14 local authorities, nearly all of which were controlled by the Labour Party, had agreed to concede the full amounts claimed by the manual workers’ trade unions. Some other authorities had made public statements in support of further negotiations on the claim; but they were only a small minority of the total number of local authority employers.

In discussion the Cabinet were informed that a number of judges had been approached by the parties to the pay dispute in the search for a chairman of the Committee of Inquiry; but, on being told that the Government would not wish to take any action either to assist or to hinder the inquiry, they had very properly rejected the request. Sir Jack Scamp, before accepting the chairmanship, had been informed by the Department of Employment that the Government could express no view whether or not he should undertake the task but that there might well be a Government statement at some point about the element of national interest in the dispute. It was perhaps for consideration whether the Government should encourage Sir Jack Scamp to call at once for a return to work while the Inquiry took place. On the other hand it was probably preferable that the Government’s dissociation from the Committee of Inquiry should continue, in order that they might remain free to criticise its recommendations if they were unsatisfactory. Sir Jack Scamp would be likely in any event to wish to follow the usual practice of committees of inquiry in calling for a return to work; but he might find difficulty in doing so if it were known that the Government had tried to influence him in this direction.
The Prime Minister, summing up the discussion, said that the Government should leave it to Sir Jack Scamp to decide whether to call for a return to work while the Committee of Inquiry took place. But Ministers should take every opportunity of reinforcing in public the view already expressed by the Government that the employers’ pay offer was generous and that the actual earnings of local authority manual workers were not in general as low as the references in the Press to their basic pay scales suggested. Although dissociating themselves from the Committee of Inquiry, the Government were not adopting a position of neutrality; and their views on the danger of inflationary pay awards should be put forward when occasion offered.

The Committee—

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

(2) Invited the Lord President of the Council, in consultation with the Secretary of State for Employment and the Secretary of State for the Environment, to circulate factual information about the pay rates and earnings of local authority manual workers, including the pay offer last made by the local authority employers.

The Secretary of State for Trade and Industry said that the result of the ballot by the National Union of Mineworkers (NUM) on the pay offer by the National Coal Board (NCB) had been a vote of 55 per cent for a strike and 45 per cent against a strike, on a poll of over 90 per cent. The NUM were displeased that an inadequate majority for an official strike had resulted; and it seemed probable that after the meeting between the NUM leaders and the NCB Chairman which was due to take place on 27 October there would be some unofficial strike action. Its extent could not at present be foreseen; but it could cause serious damage to the country’s fuel and power supplies in the coming winter. The Government could seek to insist on the NCB’s adhering to the terms of the pay offer on which the NUM ballot had been conducted, with a risk of unofficial strikes on a substantial scale. The alternative was arbitration, to which the NCB had earlier raised no objection. This however, would be likely to result in a more generous pay award. It might be possible, however, to avert both these dangers by allowing the NCB to offer the NUM not an immediate increase in pay as such but a bonus to be paid in mid-1971 if total output in the first half of that year equalled or exceeded the corresponding figure for 1970 (which had been secured by a larger labour force). This could properly be presented as a genuine productivity agreement, which would be conditional upon the efforts of the coalminers. The NCB
Chairman needed a decision on this proposal before he met the NUM on the following day.

In discussion it was suggested that the hypothetical increase in future productivity was a concession which the Government had not been prepared to countenance in the NCB's final pay offer at a time when there was a threat of a national strike. It should therefore be discarded once again, since the threat at present was only of unofficial strikes and the concession, if rejected by the miners, would mean that arbitration, which was still a possibility, would be based on a higher initial offer. In any event the terms on which the suggested productivity bonus had been formulated appeared to leave the miners with an opportunity for disrupting production by strikes in the rest of 1970 and earning a bonus for the effort that would subsequently be required to catch up on lost production. It would also be hard to represent the offer of a bonus as different from an increase in the basic pay offer. On the other hand the vindication in the ballot result of the NCB's judgment so far was perhaps a reason for accepting their proposals for the next stage, especially since the disadvantages of widespread unofficial strike action were clear.

The Prime Minister, summing up the discussion, said that the Chancellor of the Exchequer, the Secretary of State for Employment and the Secretary of State for Trade and Industry should arrange to discuss further the NCB's suggestion for offering the NUM a productivity bonus in mid-1971 for output in the first half of that year equalling or exceeding that in the first half of 1970. If the three Ministers agreed that this proposal should be offered to the NUM on 27 October in an attempt to secure a negotiated settlement on coalminers' pay, they could authorise the NCB to make the offer on that date.

The Cabinet—

(3) Invited the Chancellor of the Exchequer, in consultation with the Secretary of State for Employment and the Secretary of State for Trade and Industry, to examine further the proposal for a productivity bonus for coalminers in 1971 and to decide whether it should be offered by the Chairman of the National Coal Board to the National Union of Mineworkers on 27 October 1970 with a view to achieving a negotiated settlement on coalminers' pay.
Emergencies

Tanker

Collision

3. The Secretary of State for Trade and Industry, reporting on the incident in which two oil tankers had collided in the English Channel, said that the Pacific Glory was still aground off the Isle of Wight. The equipment necessary to deal with the situation had been assembled; but it would not be practicable to pump the cargo of oil into another tanker until the weather improved. The Allegro, with which the Pacific Glory had been in collision, was at Fawley.

The Secretary of State for the Environment said that the necessary precautions had been put in hand to prevent, so far as possible, pollution of the beaches on the south coast.

The Attorney-General said that he had authorised the issue of writs against both the Pacific Glory and the Allegro, involving also the arrest of the Allegro. He hoped the writs would be served that day.

The Prime Minister, summing up a short discussion, said that the incident was likely to be the subject of an early Private Notice Question in Parliament and that the Minister to whom it was directed should be in a position to reply to all questions arising from the accident. There would be advantage if all the relevant issues arising from the accident could be dealt with by the inquiry which would in any event be necessary in this country rather than being divided between inquiries in the United Kingdom and in Liberia, under whose flag the ships had been sailing. It might be necessary to seek to secure the agreement of the Liberian Government that the main inquiry should be held in the United Kingdom.

The Cabinet—

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

(2) Invited the Attorney-General, in consultation with the Foreign and Commonwealth Secretary and the Secretary of State for Trade and Industry, to consider whether an inquiry held in the United Kingdom could deal with all the relevant issues arising from the accident.

4. The Cabinet considered a memorandum (CP (70) 90) by the Chancellor of the Exchequer, to which was attached the revised text of a White Paper entitled “New Policies for Public Spending” to be published on the following day.
The Chancellor of the Exchequer said that the group of Ministers under the Prime Minister’s chairmanship who had reviewed his proposals in CP (70) 66 in respect of investment incentives had concluded that a scheme on the lines which he had recommended (involving a net saving to the Exchequer of some £100 million a year in 1972–73, 1973–74 and 1974–75) should be adopted, with the modification that investment grants would continue to be paid in respect of all contracts made prior to 27 October, 1970, but only in respect of such contracts. This would enable the Government to fulfill their pre-Election commitments in full. It was also proposed that the rate of Corporation Tax should be reduced from 45 per cent to 42½ per cent, effective for tax due on 1 January, 1971, in respect of profits earned in 1969–70: this reduction would benefit industry to the extent of £60 million in the current financial year and £90 million in 1971–72. These decisions would be set out in the separate White Paper on Investment Incentives which was to be published, concurrently with the White Paper on Public Expenditure, immediately after his oral statement to the House of Commons on the following day. In addition, he proposed to announce a reduction of 6d. in the standard rate of income tax, effective from 6 April, 1971. The cost of this concession would be £315 million in the first year and £350 million in the second year. Given the reduction of public expenditure by £330 million in 1971–72, its effect on demand would be broadly neutral. The reductions in Corporation Tax and in personal tax, which would require legislation, would be the first reductions of their kind for 11 years and they should help to set the economy on a new and more dynamic course.

The Cabinet—

(1) Approved the White Paper.

(2) Took note, with approval, of the statement by the Chancellor of the Exchequer.

Cabinet Office,
27 October, 1970.