CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Tuesday, 16 March, 1971,
at 11 a.m.

Present:
The Right Hon. EDWARD HEATH, M.P., Prime Minister

The Right Hon. REGINALD MAULDING,
M.P., Secretary of State for the Home
Department

The Right Hon. LORD HAILSHAM OF ST.
MARYLEBONE, Lord Chancellor

The Right Hon. WILLIAM WHITELAW,
M.P., Lord President of the Council

The Right Hon. SIR KEITH JOSEPH, M.P.
Secretary of State for Social Services

The Right Hon. MARGARET THATCHER,
M.P., Secretary of State for Education and
Science

The Right Hon. THE EARL JELLYCOE,
Lord Privy Seal

The Right Hon. PETER THOMAS, Q.C.,
M.P., Secretary of State for Wales

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,
Secretary of State for Defence

The Right Hon. ROBERT CARE, M.P.
Secretary of State for Employment

The Right Hon. GORDON CAMPBELL,
M.P., Secretary of State for Scotland

The Right Hon. JOHN DAVIES, M.P.,
Secretary of State for Trade and
Industry and President of the Board
of Trade

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 following were also present:
The Right Hon. CHRISTOPHER
CHATAWAY, M.P., Minister of Posts
and Telecommunications (Item 2)

Mr. MAURICE MACMILLAN, M.P., Chief
Secretary, Treasury (Item 1)

The Right Hon. FRANCIS PYM, M.P.,
Parliamentary Secretary, Treasury

SECRET
Secretariat:
SIR BURKE TREND
Mr. N. F. CAIRNCROSS
Mr. I. ANSON

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1. The Cabinet considered a memorandum by the Minister of Posts and Telecommunications (CP (71) 29), to which was appended a draft White Paper on commercial radio.

The Minister of Posts and Telecommunications said that the draft White Paper proposed the establishment of an Independent Broadcasting Authority (IBA) to supervise a commercial radio service consisting of a national programme and up to 60 local private enterprise stations. The proposed national programme would supersede the Radio 1 service of the British Broadcasting Corporation (BBC); but the BBC would be allowed to keep the 20 local stations which had been approved by the Cabinet at their meeting on 30 July, 1970. The pledge in the Conservative Party’s Manifesto at the General Election had been limited to the introduction of commercial radio at the local level; but at that time it had also been assumed that the BBC would not be providing local radio services. The addition of a national programme to the local commercial radio services should result in a better balance of competition between the BBC and commercial radio and should enable the latter to become effective more quickly. It should also facilitate a satisfactory agreement with the Musicians’ Union on the use of recorded material and should provide commercial radio with more adequate resources for the establishment of a good central news service. It would, admittedly, be opposed by the BBC; and there would also be opposition from the Press, from some of the Government’s supporters and from some of those interested in setting up local commercial stations. When the Ministerial Committee on Broadcasting had examined the draft White Paper, however, a majority had considered that the balance of argument inclined in favour of introducing the proposed national programme in place of BBC Radio 1, while allowing the Corporation to keep their 20 local stations. Supervision of commercial radio could be entrusted to the Independent Television Authority (ITA) as an alternative to setting up a new authority. But there would then be a risk that the ITA would treat commercial radio as a secondary concern, whereas the creation of an IBA would ensure that it was vigorously developed. The majority of the Ministerial Committee had considered that, if there was to be a national service, it should be the responsibility of an Authority other than the ITA. In view of the uncertainty whether funds for the IBA could be obtained from other sources without a Treasury guarantee, it should be financed from the National Loans Fund; and, if local commercial radio was to extend beyond the major conurbations, it would be necessary to introduce some element of cross-subsidisation between
the local stations, as had already been done in the case of commercial television.

In discussion there was some support for the view that a national programme would strengthen the viability of commercial radio and that the substitution of the national commercial programme for BBC Radio 1 would improve the range of radio services. On the other hand the Election pledge about commercial radio had been concerned with the introduction of a local private enterprise radio service; and it was arguable that the introduction of a national commercial programme, operated by a new public authority, was different from the concept with which that pledge was concerned and, indeed, was inconsistent with it. Moreover, it could not be confidently predicted that competition at national level would improve the quality of radio programmes. There was no strong feeling in the country that a national commercial programme should be introduced; and it would arouse opposition from all the other communications media, including the BBC, the Press and local commercial radio. While the amount of additional advertising revenue absorbed by a national programme would be small in relation to all advertising revenue the recent newspaper closures would inevitably lead the Press to form an exaggerated impression of the risk to their financial position. The effect on Government relations with the communications media would be liable to be serious; and this might hinder the effective presentation of the Government's case on a wide range of national issues. In these circumstances it would be preferable to limit action at present to the steps which were immediately necessary in order to carry out the Election pledge. This need not necessarily rule out the possibility of introducing a national commercial programme at some future time.

In further discussion the following main points were made:

(a) If the existing BBC local stations were retained, it might be more difficult for local commercial radio to establish a footing in those areas where the Corporation was already operating. On the other hand the BBC local stations were not competing for advertising revenue; and to insist that they should now be withdrawn would arouse disproportionate opposition from the Corporation and public opinion. The draft White Paper, however, suggested that in the longer term the BBC might further extend their local radio services. While this could be defended on the grounds that a service financed through a national licence fee should not indefinitely be limited to particular groups in the community, it seemed preferable on balance not to make any reference to the possibility now.

(b) If an IBA were established, it was arguable that it should not be financed from the National Loans Fund, since this would
increase public expenditure and would be contrary to the principle that independent radio ought, like other private commercial enterprises, to be self-supporting. In any case, however, the argument for an IBA was substantially weakened if there was to be no national commercial programme. The responsibility for supervision could conveniently be assigned to the ITA, who could also provide the central news service for commercial radio. Independent Television News were believed to be unwilling to undertake this commitment, since they felt that their strength lay in concentrating on television as a medium. But they would collaborate fully with the news service provided for commercial radio.

(c) In the case of commercial television it had been found necessary for the ITA to charge at different rates for the services which they provided, depending on the capacity of the programme company to pay. A similar policy might be necessary if local commercial radio was to be viable outside the major conurbations. On the other hand, if private enterprise was to be attracted to commercial radio, it was necessary that it should be allowed to make profits. While the possibility of differential charges need not be ruled out, no reference should be made to this point in the White Paper. If the supervision of local commercial radio was left to the ITA, it could anyway be assumed that the ITA would follow their existing practice in the matter.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that the Government proposals for commercial radio should not include a national programme. Supervision of the local commercial radio stations should be entrusted to the ITA, who would provide the necessary central news service. The BBC should be allowed to keep the 20 local radio stations whose establishment had already been approved; but there should be no reference in the White Paper to the possibility that their local radio services might be further extended. There should also be no explicit reference to the possibility of differential charges for the central services provided by the ITA for the local commercial radio stations. The Minister of Posts and Telecommunications, in consultation with the Lord President, should now redraft the White Paper in the light of the Cabinet’s decisions on these points, with a view to publication before the Easter Recess, and should circulate the revised draft to the Cabinet for their information.

The Cabinet—

(1) Took note, with approval, of the summing up of their discussion by the Prime Minister.
2. The Cabinet resumed their discussion of a memorandum by the Secretary of State for Social Services (CP (71) 28) about supplementary benefit in trade disputes. They also had before them a note by officials (CP (71) 30) describing the effects of the various measures under consideration.

In discussion of CP (71) 30 there was general agreement that the existing basis on which capital savings were dealt with for purposes of calculating the entitlement of strikers to supplementary benefit should not be altered. As regards the taxation of supplementary benefit paid during trade disputes, this could not be effected merely by the removal of the present exemption; and fresh legislation would therefore be needed. It was agreed that in these circumstances the suggestion should not be pursued. Equally, the discrimination involved in deferring PAYE refunds to strikers alone was not defensible, although current studies of the structure of PAYE might change the position in due course. The Cabinet therefore faced a choice between providing for the recovery of supplementary benefit paid during a strike; reducing the “disregard” of a striker’s personal income in the computation of supplementary benefit payable to his family during a strike; and adopting both these measures.

The Secretary of State for Employment said that a provision that supplementary benefit paid during a strike should be recovered after the strike was in his view the measure most likely to redress the balance of advantage which strikers now derived from the social security system and to secure the important objective of forcing the trade unions not only to declare themselves unequivocally for or against particular strikes but also to sustain from their own resources those strikes which they decided to endorse. The Confederation of British Industries, while recognising the additional administrative burden which would be imposed on employers, nevertheless favoured a provision for recovery. If so, however, the resultant hardship to the lower paid should be mitigated by, for example, establishing a level of protected earnings and a maximum period of liability to repay; and, if the principle of recovery was adopted, the “disregard”
should not be reduced. A change in the system which resulted in a
loan at existing levels of payment was more likely to be acceptable
to moderate opinion than one involving the reduction of the amount
of an outright grant, which would be the effect of reducing the
"disregard". Not only would a loan at existing levels deal more
effectively with hardship during a strike; the need for a striker to
sustain his family by means of a loan rather than a grant was in
itself a deterrent to strikes.

In discussion it was recognised that any measure which subjected
strikers to greater financial pressure might lead to accusations that
the Government were determined to destroy the strike as an
industrial weapon. Even so, the recovery of supplementary benefit
was likely to engender greater controversy than the reduction of
the "disregard". It would be represented as discrimination directed
specifically against strikers, despite the fact that, not every strike was
unjustified; whereas the primary purpose of the reduction of the
"disregard" would be to correct an administrative practice which
the previous Administration had acknowledged to be inconsistent
with the intentions of the relevant legislation and had therefore
themselves intended to amend. A provision for recovery, particularly
if combined with a reduction of the "disregard", was likely to make
it even harder to secure the cooperation of the unions in the
measures which would be needed to give effect to the Industrial
Relations Bill. The Government's industrial policy at present had
the support of moderate opinion in the country and in the workshops;
but excessively severe measures were likely to alienate it. Moreover,
a reduction of the "disregard" need not necessarily be less effective
than a provision for recovery of supplementary benefit in compelling
unions to sustain strikes by the use of their own funds, since they
might well find it difficult to discriminate in the payment of strike
pay between married strikers and their unmarried colleagues to
whom supplementary benefit was not normally available, while
PAYE refunds already took up all or most of the "disregard" at its
present level.

On the other hand, although the primary objective of reducing the
"disregard" might be to correct an anomaly of administration, its
effect would be to reduce the families of strikers to very straitened
circumstances; and it would therefore be open to the criticism that
strikers' families would suffer hardship, which it was the proper
purpose of the social security system to remedy. A provision for
the recovery of supplementary benefit at its present level would be
free from this criticism. If a decision were not taken now to make
such benefit paid during a strike recoverable, a convenient opportunity to do so might not recur. Moderate opinion in the country condemned a system under which the Government were in effect subsidising strikes; and a provision for recovery would command considerable support. Indeed, if the Social Security Bill were limited to the recovery of supplementary benefit paid after a strike and to the proposed reduction of the “disregard”, it might prove difficult convincingly to resist a proposal from some of the Government’s supporters in the House of Commons that a provision for recovery should be added. The recovery of supplementary benefit and the reduction of the “disregard” should, however, be conceived as alternatives; and it was more important to succeed in redressing the balance of industrial power in a way which would be both effective and just than to remedy a deficiency in the administration of supplementary benefit.

The Prime Minister, summing up the discussion, said that it was accepted that a combination of recovery of supplementary benefit paid during a strike and reduction of the “disregard” would be liable to provoke resentment on a scale which would endanger public support for the Government’s industrial policies. The recovery of supplementary benefit was open to the further criticism that it could be represented as imposing on a striker a burden of debt which would be unacceptable in the aftermath of a strike; and the prospect of this additional liability might itself become a factor in the negotiation of the terms on which a strike was finally settled. The reduction of the “disregard” was admittedly based to some extent on the different considerations deriving from the need to rectify an administrative practice which was inconsistent with the purpose of the relevant legislation. Nevertheless, it would exercise some degree of deterrent effect; and in these circumstances the Cabinet agreed that it represented, on balance, the least disadvantageous course. The Social Security Bill should therefore provide for the recovery of supplementary benefit paid after a strike and for the reduction of the “disregard” to £1; it should not make provision for the recovery of supplementary benefit paid during a strike.

The Cabinet—

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

(2) Invited the Secretary of State for Social Services to consult the Lord President of the Council about the timing of the introduction of the Social Security Bill.

Cabinet Office,