CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 10 June, 1971,
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 WHITEHAW, 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, Secretary of State for Defence (items 1 and 2)

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

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

Secretariat:

SIR BURKE TREND
Mr. N. F. CAIRNCROSS
SIR PHILIP ADAMS
Mr. B. G. TUCKER
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1. The Cabinet were informed of the business to be taken in the House of Commons the following week.

The Cabinet discussed the arrangements to be made to seek Parliamentary approval of the terms of our accession to the European Economic Communities (EEC), on the assumption that the next meeting with representatives of the Communities on 21-22 June would finally dispose of the remaining obstacles to our membership. It was generally agreed that it would be desirable to publish a White Paper as soon as possible after that meeting and to arrange for it to be debated before Parliament adjourned for the Summer Recess. It might be wise, however, to seek an early opportunity to make it clear that this debate would not necessarily be directed to securing final and definitive approval of the White Paper’s proposals. A statement to this effect would serve to dispel the impression, which was already prevalent and would gain strength as the forthcoming meeting in Brussels approached, that the Government intended to try to compel Parliament to decide the issue of accession without proper time for reflection; and it should help to reassure those Members who felt that the month of July would allow too little time for them to consult their constituents before being asked to cast a vote which could be regarded as effectively committing them irrevocably to a view on accession. It would be preferable to dispel these doubts at the present juncture than to appear to be compelled to concede the point later under pressure; and this consideration was reinforced by the fact that the Government should in any event be on their guard against appearing to take it for granted that the outcome of the forthcoming discussions in Brussels would be wholly acceptable.

On the other hand a statement on the lines suggested, if made at this stage, might give the Communities the impression of a lack of urgency on our part and so endanger our chances of reaching final agreement on the outstanding issues at the forthcoming meeting in Brussels. Moreover, it would afford the opponents of accession more room for manoeuvre and greater opportunity to try to win over those whose minds were not yet made up.

In further discussion it was suggested that the disquiet in Parliament derived to some extent from an insufficient appreciation of the various stages, including legislation, by which Parliamentary approval of our accession to the EEC would have to be sought over the next 18 months before we formally achieved membership on 1 January, 1973. The most satisfactory course, therefore, might be for the Prime Minister to undertake that afternoon in the House of
Oversea Affairs
Pakistan
Previous Reference: CM (71) 29th Conclusions, Minute 3

North Atlantic Treaty Organisation

SECRET

Commons to make a considerable statement, probably in the following week, which would indicate the whole of the Parliamentary timetable which would be involved if the outcome of the forthcoming meeting in Brussels was satisfactory. This would allow the timing of any definitive debate to be set in a rational context, with due regard to the need to allow Members of Parliament adequate time to consult their constituents; and it could perhaps be turned to additional advantage in relation to the forthcoming meeting at Brussels by demonstrating to the Communities that the requirements of our constitutional procedures, as far from allowing us to slacken our efforts to conclude the negotiations, made it imperative that they should be successfully terminated by the end of June.

The Prime Minister, summing up the discussion, said that it was generally agreed that the Government should seek to avoid creating any impression that they intended to force a premature decision on the issue of our accession to the EEC. He would therefore inform the House of Commons that afternoon that he would shortly make a statement on the subject; and he would consider further, in the light of the points made in the Cabinet’s discussion, the means by which such a statement might best reassure public opinion without prejudicing our negotiating position in Brussels.

The Cabinet—

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

SECRET

2. The Foreign and Commonwealth Secretary said that there were some indications that Parliamentary and public opinion doubted whether the subscription of £1 million which the Government had already made to the relief of refugees from East Pakistan was sufficient in view of the gravity of their plight and that it might be necessary for us to supplement this contribution, preferably in the form of a single lump sum. As soon as we knew more clearly the scale of total further aid which was required he would discuss an increase in the British contribution with the Chancellor of the Exchequer.

The Foreign and Commonwealth Secretary reported that he had recently attended a meeting of the North Atlantic Ministerial Council at Lisbon and that the results of the meeting had been satisfactory. There was general agreement among the Foreign Ministers concerned that in the absence of progress towards a settlement of the problem of Berlin there could be little hope of a more general détente in
relations with the Soviet bloc. It had therefore been decided to concentrate efforts on seeking to persuade the Soviet Government to conclude a reasonable agreement on Berlin.

The Foreign and Commonwealth Secretary said that he had taken the opportunity of his presence in Lisbon for the North Atlantic Council Ministerial meeting to have discussions with the Portuguese Government, whose attitude had been cordial and co-operative. He had not been pressed on any of the points of contention between the two Governments, including the continuation of the Beira Patrol. The Portuguese Prime Minister, Professor Caetano, had said that he would be prepared to write at an appropriate time to the leader of the régime in Rhodesia, Mr. Ian Smith, urging him to make a settlement with us, if we judged that this would be helpful. Professor Caetano had also indicated that the Portuguese Government might wish to place orders for warships in this country; and it would be necessary to give further consideration to our attitude towards any such orders.

The Cabinet—

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

3. The Secretary of State for Trade and Industry said that the Chairman of Upper Clyde Shipbuilders (UCS) had informed him earlier that week that, on the basis of revised forecasts, the UCS Board now considered the company to be insolvent and that, if they continued trading, their total indebtedness to creditors by August would exceed £9 million and they would have a net asset deficiency of at least £4 million. They did not have the cash to continue paying staff wages after Friday, 18 June. The Board were accordingly expected to decide on 10 June that they could not continue in business and should apply for the appointment of a provisional liquidator; and a decision to this effect would be conveyed to the unions the same afternoon.

The situation disclosed by this report had been discussed in the Ministerial Committee on Economic Strategy earlier that morning; and he had since made arrangements with the Board that they would defer any action until at least the following Tuesday, 15 June, in order to give the Government, as their principal shareholder, time in which to consider the situation further. In return for this delay he had given the Board two assurances: that finance would be provided to enable
staff wages due on 25 June to be paid, if necessary by the provisional liquidator, and that the members of the Board would be indemnified in respect of any liabilities personally incurred by them, as a result of delaying until 15 June an announcement that the Company was unable to continue trading.

The Prime Minister said that the Economic Strategy Committee had commissioned an urgent study of means by which, in the event of the collapse of UCS, an orderly rundown could be secured and individual shipyards now comprised in the UCS group might be protected to some extent. The Committee would meet again after the week-end; and, if necessary, a further report would be made to the Cabinet at an early date.

The Cabinet—

Took note of the statements by the Secretary of State for Trade and Industry and the Prime Minister.

CONFIDENTIAL

4. The Cabinet considered a memorandum by the Secretary of State for Social Services (CP (71) 66), to which was annexed a memorandum about occupational pensioners and unemployment benefit which had been considered by the Home and Social Affairs Committee (HS) on 7 June.

The Secretary of State for Social Services said that HS had considered the situation which had resulted from the loss during the Committee Stage of the National Insurance Bill of the clause which sought to limit the misuse of unemployment benefit by individuals who had retired from their career employment with substantial occupational pensions and were doubtfully, if at all, in the employment field. HS had concluded that no attempt should be made to restore the clause to the Bill on Report, since it was lack of support from Government back-benchers which had enabled the Opposition to carry the deletion of the clause in Committee and the necessary support from the Government side would not be forthcoming for its restoration.

HS had also concurred in his suggestion that, as a logical consequence of this recommendation, the Government should seek to delete from the Bill on Report the clause which removed the liability of individuals over 60 to pay the non-employed person’s National Insurance contribution, since this clause had been introduced only in order to render more acceptable the restrictions on unemployment benefit which it was now proposed to abandon.
The Cabinet—

Took note, with approval, of the statement by the Secretary of State for Social Services and invited him to proceed accordingly.

*5. *The Lord Privy Seal* said that the Cabinet had authorised him on 25 May to seek a negotiated settlement, based on pay research, up to 11.7 per cent for Civil Service Clerical grades and up to 9\(\frac{1}{2}\) per cent for the Administrative/Executive grades. Hard negotiations, coupled with the ability to meet the Staff Associations on certain points of scale construction which they would have been unlikely to have secured at arbitration, had resulted in a settlement for the Clerical grades costing a little over 11\(\frac{1}{2}\) per cent. In the negotiations with the Administrative/Executive grades, however, the scales resulting from implementation of almost the full amount authorised by the Cabinet had been rejected by the Staff Associations concerned. His assessment was that a settlement could certainly be obtained by offering 10 per cent and might be obtained at 9\(\frac{1}{2}\) per cent. A negotiated settlement was desirable in the interests of morale and good management. The staff concerned had so far had compounded increases of only 14 per cent since 1 January, 1968, compared with a rise in the wages index of nearly 30 per cent in the same period. For the Executive Officer grade, a large proportion of whom were working substantial overtime to implement Government programmes, the present pay offer would provide only a 5-6 per cent increase. A settlement within a maximum of 9\(\frac{1}{2}\) per cent for the Administrative/Executive grades as a whole would enable significant improvements to be made at key points in the Executive Officer scale and would strengthen the hands of the moderate elements in the Staff Associations. It would still represent a stringent interpretation of the pay research evidence. If agreement were not reached, the alternative would be to allow the claim to go to arbitration; and this would involve a real risk of a substantially higher award. Because of the advantages of a negotiated settlement, he therefore sought authority to try to settle with the Administrative/Executive grades at a figure not exceeding 9\(\frac{1}{2}\) per cent.

In discussion it was argued that the concession of a further \(\frac{1}{2}\) per cent to the Administrative/Executive grades would encourage both the Staff Associations and the unions representing the industrial Civil Service to negotiate on the footing that the Government could be brought to raise their offers by intransigence and threats of

* Previously recorded in a Confidential Annex.
industrial action. In particular, the Society of Civil Servants had before them a Resolution calling for a ban on overtime from 14 June if no agreement had been reached by then. To settle with the Administrative/Executive grades at 9½ per cent, moreover, would increase the average of the two pay research settlements with the non-industrial Civil Service; and it was this average which would influence the attitude of local authorities towards the pay of their own staffs. On the other hand the rise in the average increase under the two settlements from 10½—10¾ per cent would not be significant; and a negotiated settlement with the Administrative/Executive grades at 9½ per cent was greatly to be preferred to the risks of allowing the claim to be decided by arbitration. If an overtime ban were imposed by Executive grades in default of an agreed settlement, the programme for uprating social security benefits would be jeopardised; Moreover, the low “open” offer which it would be necessary to make at arbitration to avoid the “without prejudice” offers becoming the floor for the arbitration would consist of salary scales considerably less favourable than those which had already been rejected in negotiation. The conventions at arbitration were understood by the Associations’ negotiators, but not by the rank and file; and the publication of a very low “open” offer would create strong resentment among the grades concerned.

The Prime Minister, summing up the discussion, said that the Cabinet agreed on balance that the Lord Privy Seal should be authorised to seek a negotiated settlement with the Administrative/Executive grades at a figure not exceeding 9½ per cent. It would be important to ensure that any settlement reached on that basis was publicly presented as being designed to restore lost ground; and the fact that the settlement for the Clerical grades had achieved general acceptance on that basis encouraged the belief that this should be possible. In order to ensure that the Government retained the initiative in regard to the public presentation of the settlement, or of any breakdown in the negotiations, it was important to avoid premature disclosure; and the Lord Privy Seal should arrange for the Official Side negotiators to keep in close touch with the Prime Minister’s Press Office.

The Cabinet—

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