CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street on Thursday, 16 March, 1972,
at 10.30 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 WHITELAW, M.P., Secretary of State for the Department of Foreign and Commonwealth Affairs
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-MACAULAY, 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 JELLS, 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:
The Right Hon. FREDERICK CORFIELD, M.P., Minister for Aerospace (Item 6)
The Right Hon. MAURICE MACMILLAN, M.P., Chief Secretary, Treasury (Items 4–7)
The Right Hon. JOHN PEYTON, M.P., Minister for Transport Industries (Item 4)
The Right Hon. FRANCIS PYM, Q.C., M.P., Parliamentary Secretary, Treasury
The Right Hon. SIR PETER RAWLINSON, Q.C., M.P., Attorney General (Items 1–4)
SECRET

Secretariat:

SIR BURKE TREND
Mr. N. F. CAIRNCROSS
SIR PHILIP ADAMS
Mr. B. G. TUCKER
Dr. O. SIMPSON
Mr. J. F. MAYNE
Mr. I. T. LAWMAN
Mr. R. DRONFIELD

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week. It was proposed that, subject to the progress of business, both Houses should rise for the Easter Adjournment on Thursday, 30 March and that the House of Commons should resume on Monday, 10 April, and the House of Lords on Tuesday, 18 April.

2. The Prime Minister informed the Cabinet that the Prime Minister of Northern Ireland, Mr. Faulkner, had accepted his invitation to visit London on Wednesday, 22 March for a discussion of the political situation in the Province. He had received from the Leader of the Opposition some account of his recent visit to the Irish Republic.

The Cabinet—

Took note of this statement by the Prime Minister.

3. The Foreign and Commonwealth Secretary said that Lord Pearce and the members of his Commission who had been conducting the Test of Acceptability of the proposed Rhodesian settlement had now returned to the United Kingdom and hoped to be able to present their report on the result of the Test in the latter part of April. It was a remarkable tribute to Lord Pearce and his colleagues that they had carried out their very difficult task without incurring hostile criticism from any quarter. The report might well conclude that the proposals for a settlement were not acceptable to the people of Rhodesia as a whole; but it would also give a full account of the different currents of opinion in Rhodesia which the Commission had identified. This could be valuable in so far as it might suggest that, instead of having no alternative to accepting an adverse report, we might find several intermediate courses of action open to us. The most serious obstacle to a further attempt to resolve our dispute with the Rhodesian regime was likely to be action by Mr. Ian Smith, their leader, to reassert his authority by drastic security measures immediately on publication of the Pearce Report. The evidence produced by Lord Pearce would need careful examination; and thereafter recommendations would be submitted to the Cabinet.

The Foreign and Commonwealth Secretary said that the Cabinet would have learned of the King of Jordan's proposal to establish a United Arab Kingdom under his sovereignty, composed of a Federation of States based on the East and West banks of the Jordan, the local administration of the West Bank, now under Israeli occupation, being based in Jerusalem. King Hussein appeared to have intended this plan as a statesmanlike contribution to peace and stability in the area; but unfortunately it had already been rejected both by the Palestinian leaders and by the Government of Israel. It was not clear why the King had published his project at this juncture. But he was probably anxious not only to assert his position as the rightful champion of the Palestinians' cause but also
to persuade the Government of Kuwait, who had recently ceased payment of a substantial subsidy, to restore their support. He was probably no less anxious to counter Israeli efforts, which were currently having some success, to enlist the cooperation of the Arab inhabitants of the West Bank.

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

4. The Secretary of State for Employment said that the decisions by the National Association of Local Government Officers and the General and Municipal Workers Union not to register under the Industrial Relations Act were disappointing. But the fact that so many of the major unions had decided either not to register or to de-register would not affect the working of the Act; it would simply deprive those unions and their members of the advantages, including tax advantages, which the Act afforded to registered unions and increase the likelihood of breakaway unions being formed. He would consider how best to impress these points on trade unionists in general.

The Cabinet—
(1) Took note of the statement by the Secretary of State for Employment.

The Minister for Transport Industries said that, at their meeting on the previous day, the Executive of the Associated Society for Locomotive Engineers and Firemen (ASLEF) had agreed by a majority of one to participate in the further negotiations with the British Railways Board (BRB) which were due to take place on the afternoon of Monday, 20 March. They had also agreed that for the present they would not fix any date for official industrial action in default of a settlement or authorise a series of one-day stoppages. Several union branches, however, were exerting considerable pressure for militant action; and opinion on the Executive was finely balanced. The BRB intended that the first afternoon of the resumed negotiations should be devoted to a discussion of the fuller submission which had been tabled by the National Union of Railwaymen (NUR); and they considered that no advance in their present pay offer would be needed until Tuesday, 21 March, when the extent of the improvement to be made would depend on the course which the discussions had taken. The Board would in no circumstances offer more than 11 per cent; and they would raise their offer to that level only if they judged that there were reasonable prospects of securing a settlement. The advice which he had so far given to the Chairman reflected the conclusions which the Cabinet had reached at their meeting on 9 March. He now sought the Cabinet's agreement to his authorising the BRB to increase their offer, if necessary, to 11 per cent, in order to achieve a settlement. It would also be desirable to consider the presentation of such an offer in terms of any distinction which it might be expedient to draw
between the general betterment increase and any special factors. Although it now seemed unlikely that any breakdown in the negotiations would lead to widespread industrial action before Easter, the Cabinet might also wish to consider further what the Government's attitude should be if a breakdown could not be avoided and industrial action were threatened.

In discussion there was general agreement that a settlement at 11 per cent would, on balance, be preferable to a confrontation with the rail unions, leading to a strike from which, in present circumstances, there could be no certainty that the community would emerge without serious damage and without ultimately conceding a still higher settlement. It would be inadvisable for the Government to tell the BRB that they should not negotiate up to the 11 per cent limit which the Board themselves had resolved not to exceed and thereby to assume responsibility for any breakdown in negotiations below that level. It was not the Board's intention to raise their offer to 11 per cent unless there were clear indications that this would achieve a settlement; and it had been firmly impressed on them that they should aim to settle well within 11 per cent if possible. But, although both ASLEF and the NUR might now be ready to accept an increase significantly less than the 16 per cent which they had originally claimed, there could be no confidence that the Board would succeed in negotiating a settlement at or below 11 per cent; and it could be argued that, if the Board offered an 11 per cent increase without securing a settlement, ASLEF might well treat the offer as a base from which to extract further concessions through negotiation or arbitration. 11 per cent should in any event be the outside limit for a negotiated settlement. On the other hand it might be a mistake for the Government to prescribe an absolute arithmetical maximum, since calculation of the value of any offer in percentage terms was in any case a complex product of a number of separate elements. To restrict the Board's negotiating authority within a decimal point would be to purport to invest the calculations and the value of the offer with a spurious degree of accuracy. For the sake of a decimal point the Government should not put themselves in the position of requiring the BRB to break off negotiations and so to risk the loss of a settlement which might otherwise have been within reach. Moreover, the Board's task might already have been made more difficult by the outcome of certain pay negotiations now in progress in the private sector, where it seemed likely that the provincial newspaper employers, who had already offered an increase of 11 per cent, would shortly make further concessions and that the building industry might settle for an increase as high as 12½ per cent. The Secretary of State for Employment had sought, however, to impress on the building trade employers the importance of dealing with these negotiations as slowly as possible and avoiding precipitate concessions. There might similarly be advantage to the BRB in conducting the discussions in the following week more slowly than they currently intended; and this should be brought to their notice. In addition, the Board should again be reminded of the Government's view that it would be helpful to try to identify particular elements of a possible settlement which might be presented separately as peculiar to the railways, for example any concession of special allowances...
in respect of burdensome conditions and irregular hours of work; and they should be similarly reminded of the Government's hope that they might find it possible to persuade the unions to settle at a somewhat lower level by offering generous compensation to those workers who became redundant and, perhaps, by agreeing to limit the extent of redundancies.

In further discussion it was agreed that the action which the Government should take if negotiations broke down and industrial action were threatened would depend on the nature of the threat. If the unions called an official strike, it would probably be right for the Secretary of State for Employment to apply to the Industrial Court for a "cooling-off" Order. If ASLEF resorted to industrial action without giving the proper notice, it might be right for the matter to be brought before the Court as an unfair industrial practice which would justify a restraining Order.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that, if the BRB found it possible to conclude a settlement with the railway unions within a cost of an 11 per cent increase on the wage bill, they should have authority to do so. The Secretary of State for the Environment and the Minister for Transport Industries should discuss with the Secretary of State for Employment how any such settlement might be presented with least damage to the Government's continuing efforts to restrain the general level of wage increases—for example, by distinguishing elements peculiar to the conditions of work on the railways from the general betterment increase, provided that the railway settlement was not regarded as another "special case" analogous to the settlement with the miners. While the detailed conduct of the following week's negotiations must be left to the BRB, the Minister for Transport Industries should suggest to the Chairman that there might be advantage in not displaying undue haste to concede any significant improvement in the Board's present offer and limiting any immediate concessions to the minimum necessary in order to prevent the breakdown of the negotiations. He should also advise the BRB that they should seek to avoid committing themselves to an offer of as much as 11 per cent unless they were satisfied that it would achieve a settlement in order that, if a breakdown proved unavoidable, it would occur on the basis of an offer which would still leave some margin within the 11 per cent limit which the Board and the Government had set themselves. The Ministerial Committee on Emergencies should continue to keep the preparations for dealing with any industrial action under close review. In particular, they should ensure that the rebuilding of coal and other essential stocks at power stations was urgently pressed forward and that the risk of an interruption in supplies of lighting-up oil was reduced to the fullest extent practicable.

The Cabinet—

(2) Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Ministers concerned to be guided accordingly.
5. The Cabinet considered a memorandum by the Lord Privy Seal (CP (72) 27) about Civil Service non-industrial manpower.

The Lord Privy Seal said that the Cabinet had decided against a policy of controlling the number of non-industrial civil servants by means of arbitrary reductions, which tended to be capricious in their incidence and inimical to flexible management. It had therefore proved impossible to reduce the number of non-industrial civil servants below 500,000 on 1 April, 1972. He had approved an estimated total of 516,000 on 1 April, 1973; and the forecast for 1 April, 1974 was 522,000. There were some possibilities of reductions in numbers by transferring functions from the area of Government; but these would yield an overall saving of only 12,000 posts at the maximum. It was therefore clear that, if the Government's policies were to be carried forward, the pledge in the Election Manifesto to reduce the number of civil servants, and especially non-industrial civil servants, could not be redeemed. The new method of presentation described in CP (71) 105 would go some way to help to deal with the consequent criticism; and emphasis would continue to be placed both on the need for more staff to provide better management and more effective services for the community and on the Government's determination to continue to promote the economic use of manpower. But it was essential to keep the necessary increases in staff under taut control; and this could be achieved only if Ministers and senior officials made it their personal responsibility to seek out economies and to check unnecessary expansion. Manpower targets should be planned ahead for two years; and every opportunity should be seized to transfer from the sphere of Government those activities which need not remain within it. By these and other methods proposed in CP (72) 27 it should be possible to reduce the total of non-industrial civil servants at 1 April, 1974, to 505,000.

In discussion it was recognised that the abandonment of arbitrary staff reductions made it all the more important to control the numbers of civil servants in other ways. Any increases in Civil Service staffs would be heavily criticised and would have to be explained and justified in detail. This would be easier to the extent that increases in staff could be linked directly with the performance of identifiable tasks arising from specific Government policies such as increased selectivity in the social services and elsewhere. While advance manpower planning was important, attempts to keep staff numbers within an arbitrary maximum often ran counter to good management. In particular, they could result in the employment of unsuitable staff on inappropriate terms and in the adoption of measures which could not be justified either on policy or on management grounds. They were also difficult to justify in a situation of high unemployment when the Government were seeking to promote the expansion of the service industries. Transfers of staff from the sphere of Government should be made only when the transfer would enable the task to be carried out more effectively; they should not be regarded as primarily a means of reducing Civil Service numbers. Considerable increases in the efficient use of
manpower might be achieved if Departments were permitted a greater degree of flexibility in the employment and use of staff; in particular economies might accrue from employing fewer individuals of higher quality.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that it was essential to keep Civil Service numbers to the minimum consistent with the main objectives of good management and the efficient implementation of Government policies. To this end the Cabinet endorsed in principle the proposals in paragraphs 4–6 of CP (72) 27. The Public Expenditure Survey Committee manpower forecasts should be used as a guide to planning; but they should not be regarded as a maximum which could never be exceeded, even if there were good management or policy arguments for doing so, or as a pretext for extravagance where changes in policy enabled savings to be made. Transfers of functions from the area of Government should be pursued where there were policy or management advantages to be gained. There seemed to be no particular merit regarding five years as a standard interval for management reviews of Departments; and the Lord Privy Seal should therefore discuss with Departmental Ministers what arrangements in this respect would be best adapted to their individual circumstances. Several Ministers had maintained that Departments could be more efficiently organised if they were given greater management flexibility and independence from central control. The Lord Privy Seal should consider further whether, and under what conditions, this argument could be tested, perhaps on an experimental basis.

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.

6. The Cabinet considered memoranda by the Secretary of State for Trade and Industry (CP (72) 34) and the Chief Secretary, Treasury, (CP (72) 35) about the post-Apollo space transportation system of the United States.

The Secretary of State for Trade and Industry said that the United Kingdom’s space activities consisted of separate programmes directed towards different ends and managed by different Departments. Many of these programmes would be affected by the post-Apollo development, which would have a bearing on all future enterprises in space. Our space policy was little more than the aggregate of those elements of other policies which involved space; and some central purpose was needed in order to ensure that we retained an adequate national capability in space technology. It was necessary to decide whether we should agree to take part in European studies of the post-Apollo programme, even though they would not be completed before July when we should have to reply to the United States invitation to participate in the development programme. Our reply, however, need only be conditional, since other European countries had accepted our view that final
commitment to participate should depend on the outcome of studies. United Kingdom industry would not secure a share of the work contracted by the European Space Conference unless a decision on the studies was taken immediately.

The Chief Secretary, Treasury, said that the post-Apollo programme was not a worthwhile project on its own merits. Both the National Space Technology programme and the post-Apollo programme were intended to support the United Kingdom space industry; but there was insufficient economic justification for both of them. Any increase in expenditure on space would benefit the guided weapons sector of the aerospace industry, which was not now in need of extra work; and, if we embarked on the post-Apollo programme, a serious imbalance in the industry could develop in a few years' time, leaving inadequate resources for worthwhile new work in the civil aircraft sector.

The Secretary of State for Defence said that there was no case for the post-Apollo programme on scientific grounds. In particular, there were no rational arguments for a manned space programme when unmanned spacecraft could perform all the relevant functions more economically. Nor was there likely to be much of scientific or technological benefit to be gained from the project itself. But the United States Government were likely to carry it through to a conclusion; and in that event there would certainly be a great deal of spare capacity in the volume of payload which the system was designed to carry.

In discussion it was suggested that participation in the post-Apollo programme had little political significance. The French Government, in particular, would appreciate our reasons if we declined to take part on grounds of public expenditure or relative priorities and based our refusal on the risk of a substantial escalation in the cost, which was a common feature of many major technological developments. If the main justification for participation was held to be technological, particularly the evolutionary effect which the space transportation system would have on all other developments in the field, there nevertheless appeared to be a serious conflict of scientific advice, which was far from unanimous in support of the post-Apollo programme as a whole. It would, admittedly, be possible to take part in the study project while refusing to participate in the development programme; and this was a possible compromise, which might provide useful training for our scientists and enable us to keep in touch with new space techniques.

The Prime Minister, summing up the discussion, said that, if we informed the United States Government that our willingness to take part in the post-Apollo programme depended on the successful outcome of the proposed programme of studies, we should in reality have surrendered our freedom of choice. Moreover, a share in the programme would be of no benefit to Europe if the United States interests reserved the benefits of the new technology to themselves and sub-contracted only those developments which involved conventional techniques. Neither the economic nor the scientific case, therefore, had been established convincingly. In particular, the scientific advice was conflicting; and it would seem to follow that,
unless it could be demonstrated that there were good grounds for participating in the main post-Apollo programme, we should refuse to take part in any studies. He would arrange for the Ministers concerned and their Scientific Advisers to give further consideration to the issues involved and to seek to agree whether the United States invitation to participate in the post-Apollo programme held any tangible advantage for us.

The Cabinet—

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

7. The Cabinet considered a memorandum by the Secretary of State for Social Services (CP (72) 37) about the payment of supplementary benefit (SB) during strikes.

The Secretary of State for Social Services said that his memorandum discussed the effect of the Social Security Act, 1971, on the payment of SB during strikes, together with a range of possible further measures which were available if the Cabinet concluded that the Act had not made a sufficient contribution to the discouragement of irresponsible industrial action. In considering whether any of these measures should be adopted, the Cabinet should bear in mind that the general public were increasingly aware of their rights in terms of SB and that this growing consciousness of entitlement was being deliberately fostered by the "claimants' unions" which had recently come into being. These now numbered about 90; and some of them pressed the claims of their individual clients with a degree of militancy which involved gross intimidation of the SB office staffs. The question whether any further measures should be taken to modify entitlement to SB during a strike was essentially one of industrial relations. But the 1971 Act had significantly diminished the weekly income of families for whose benefit SB was paid in strikes; and it was doubtful whether the availability of SB was in fact an important consideration in the minds of workers when they were debating whether to have recourse to industrial action. If, however, it was judged that it was, the most realistic of the measures examined in CP (72) 37 were: first, the abolition of entitlement to SB during a strike; second, an arrangement whereby the amount of SB would be abated by a notional amount of strike pay, whether it was in fact paid or not; and thirdly, making SB recoverable after a strike. If the first or second course were adopted, it would be necessary to continue to pay SB in cases of special hardship: and this situation would lend itself to exploitation by militant elements. Moreover, in order to make the action effective, it would be necessary to abrogate the discretionary powers of the Supplementary Benefit Commission under Section 13 of the Ministry of Social Security Act, 1966; and this would be liable to turn public opinion sharply against the Government. In any event measures as radical as these could hardly be adopted without a long period of notice which would enable the unions to assemble hardship funds; and they could probably not be brought into force, therefore, until the beginning of 1976. It was also doubtful whether the third course, of making SB paid
during a strike recoverable, would be effective in practice, not least because it would merely constitute an additional incentive to strikers to ensure that the final settlement included an additional element to set off against their SB repayment liability no less than the other debts which they had incurred during the strike.

In discussion it was accepted that the availability of SB probably had some influence on individual decisions to strike. But it was the effect of any change on the unions and their funds which mattered rather than the impact on individual strikers and their families. It was generally agreed, however, that the question was essentially part of a wider complex of issues arising in connection with the Government’s relations with organised labour and that it would therefore be impolitic to take action on SB in isolation. It would be timely to review the Government’s industrial strategy now that the more unpalatable measures which were a necessary part of their programme for the present Parliament had been taken; and this review should include, in addition to SB payments during strikes, such matters as picketing, secondary boycotts, the effect of guaranteed week agreements, possible taxation of short-term social service benefits and the conditions for the payment of unemployment benefit. Further thought should also be given to possible means of countering the growing tendency for industrial disputes, and other occasions of public contention, to be unduly influenced by elements which sought to exploit these occasions for subversive political purposes.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that it would not be right to decide on further measures relating to SB payments during strikes in isolation from a review of the Government’s industrial strategy. He would consider how such a review might be most effectively conducted, bearing in mind the points which had been made in discussion.

The Cabinet—

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

Cabinet Office,
16 March, 1972.