CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W. 1, on Thursday, 6 July, 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. ANTHONY BARBER, M P, Chancellor of the Exchequer
The Right Hon. LORD CARRINGTON, Secretary of State for Defence
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 JELLICOE, 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
The Right Hon. LORD HAILSHAM OF ST. MARYLEBONE, Lord Chancellor
The Right Hon. WILLIAM WHITELAW, M P, Secretary of State for Northern Ireland
The Right Hon. ROBERT CARE, M P, Lord President of the Council
The Right Hon. GEOFFREY RIPPON, Q C, M P, Chancellor of the Duchy of Lancaster
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. MAURICE MACMILLAN, M P, Secretary of State for Employment

The following were also present:
Mr. MICHAEL HESELTINE, M P, Minister for Aerospace (Item 6)
Mr. PATRICK JENKIN, M P, Chief Secretary, Treasury (Item 6)
The Right Hon. JOSEPH GODBER, M P, Minister of State for Foreign and Commonwealth Affairs
The Right Hon. FRANCIS PYM, M P, Parliamentary Secretary, Treasury
The Right Hon. SIR PETER RAWLINSON, Q C, M P, Attorney-General (Items 2-4)
SECRET

Secretariat:

SIR BURKE TREND  
Mr. J. J. B. HUNT  
SIR PHILIP ADAMS  
Dr. O. SIMPSON  
Mr. K. T. BARNETT  
Mr. J. ANSON  
Mr. I. T. LAWMAN

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1. The Prime Minister expressed the Cabinet's congratulations to the Leader of the House, the Chancellor of the Duchy of Lancaster, the Chief Whip and the Solicitor-General on the successful completion of the Committee Stage of the European Communities Bill without amendment in the House of Commons on the previous evening.

The Cabinet were informed of the business to be taken in the House of Commons in the following week.

The Lord President of the Council said that, in consultation with the Secretary of State for Northern Ireland, he proposed to arrange for a Committee of the House of Commons to be established to examine Northern Ireland legislation. The Committee would be concerned with future Orders in Council on new matters initiated by the Secretary of State; Orders which dealt with currently urgent matters or with the implementation of proposals inherited from the suspended Government of Northern Ireland at Stormont would have to be disposed of under the normal Affirmative Resolution procedure. He proposed, however, to provide a whole day for debate on the Order on Electoral Law, which would include provision for proportional representation. These proposals should meet with the approval both of the official Opposition and of Government backbenchers generally, except for the Ulster Unionists.

The Cabinet—

Took note, with approval, of the statement by the Lord President of the Council.

The Lord Privy Seal informed the Cabinet of the arrangements proposed for consideration of the European Communities Bill and the Local Government Bill in the House of Lords. The House of Lords would probably not rise for the Summer Adjournment until 11 August at the earliest; and they would probably have to return for at least one week in September in order to complete the Local Government Bill. It would be helpful in countering possible criticism of these arrangements if he could give an assurance that more Bills would be started in the House of Lords at the beginning of the next Session.

The Cabinet—

Took note of the Lord Privy Seal's statement and agreed that he should give the assurance which he had proposed.

2. The Cabinet considered the attitude which the Government should adopt towards a Parliamentary Motion on Allegations of Financial Corruption in Public Life which had been tabled by the Liberal Party in the following terms:

"That this House, gravely concerned at the allegations made by Mr. John Poulson in bankruptcy court proceedings that he..."
had paid substantial sums of money to two backbench Members of Parliament, another substantial payment to a body at the request of a Privy Counsellor, further payments to a senior civil servant and to two other persons holding prominent positions in public life, and mindful of the deserved reputation of this country for probity in public life, calls on Her Majesty's Government to order an immediate inquiry into the matter with a view to reporting to this House on the the truth or otherwise of these allegations; and further believes that the fact that such allegations can be made has shown the lack of wisdom of successive Governments in rejecting the evidence given by the Liberal Parliamentary Party to the Select Committee on Members' Interests (Declaration) 1969 and the draft recommendations of the Liberal Member on that Committee."

In discussion it was generally agreed that, although the Government would need to give an early indication of their intentions as regards the questions which were the subject of this Motion, it was difficult to decide what attitude they should adopt until more information was available and the issues involved had been more fully considered. In particular:

(a) The bankruptcy proceedings in question had been interrupted by the illness of Mr. Poulson and might not be resumed until the following month. Since they were directed only to ascertaining the precise disposition of certain sums of money, it could not necessarily be argued that any separate inquiry into the allegations of corruption to which they had given rise should not be put in hand on the grounds that the issue in question was sub judice. Even so, it might be prudent, before deciding whether any inquiry should be instituted, to wait at least until evidence in the bankruptcy proceedings had been completed.

(b) It would be important to define carefully the precise scope and purpose of any inquiry which might be authorised. If for example, it was alleged that a Member of Parliament had committed acts which, if they were substantiated, would constitute criminal offences, that would presumably be a matter for the criminal courts, not for a Parliamentary inquiry. The only allegation into which Parliament could properly inquire was a charge that a Member of Parliament had in some way abused his position as a Member; and in this context it would be essential not to compromise the established practice whereby Members of Parliament pursued many different types of activity outside the House of Commons, often in return for remuneration which involved no impropriety of any kind.

(c) In so far as an inquiry into the conduct of certain Members of Parliament might prove desirable, it would be for consideration whether this should be entrusted to a Select Committee or, perhaps preferably, to the Committee on Privileges. But it would not be easy to find any form of inquiry, short of a tribunal under the Tribunals of Inquiry (Evidence) Act 1921 which could appropriately comprehend all the different categories of individual whose conduct was called in question by the Motion. The senior civil servant
involved would best be dealt with by the normal disciplinary procedures of the public service; but it would be important to anticipate any criticism that the Government were acting more strictly or more rapidly in the case of a civil servant than in the case of Members of Parliament and other individuals in public life.

(d) At the same time it would be undesirable to allow speculation to develop to a point at which it passed out of control. It would be wiser to act promptly, at least to the extent of indicating forthwith that the Government had taken careful note of the allegations in question and would give urgent consideration to the desirability of some form of further inquiry as soon as they were in possession of all the relevant facts.

(e) It might also be desirable to indicate that the Government would be favourably disposed in principle to reconsider the possibility of requiring Members of Parliament to register their private interests on the lines proposed by the Liberal Party to the Select Committee on Members' Interests in 1969.

The Prime Minister, summing up the discussion, said that he would give further consideration, in consultation with the Lord President and the Attorney-General, to the attitude which the Lord President should adopt if the issues raised by the Liberal Party's Motion were pressed during the discussion on the Business Statement in the House of Commons that afternoon.

3. The Minister of State for Foreign and Commonwealth Affairs said that the Cabinet would have learnt of the resignation of the Prime Minister of France, M. Chaban Delmas, and of his replacement by M. Messmer, a former Minister of Defence and a prominent supporter of the policies of the late President de Gaulle. No indications that other Ministerial changes were impending had so far been received from Paris.

The Minister of State for Foreign and Commonwealth Affairs said that the meeting between President Bhutto of Pakistan and Mrs. Gandhi, the Prime Minister of India, at Simla in the previous week had resulted in a significant measure of progress towards the normalisation of relations between the two States. But the problems of agreeing on conditions for the return of Pakistani prisoners of war and of Pakistani recognition of Bangladesh remained intractable.

The Minister of State for Foreign and Commonwealth Affairs said that the authorities in South and North Korea had announced the successful outcome of discussions held recently in Pyongyang and Seoul on the improvement of relations between the two Governments and the reunification of the country. This development was to be welcomed.

The Minister of State for Foreign and Commonwealth Affairs said that reports received from Antigua indicated that domestic
political disputes might lead to a breakdown in law and order. He hoped that British intervention would not be necessary. But frigates were available in the Caribbean should the need arise; and the situation would be kept under close review.

The Cabinet—

(1) Took note of the statements by the Minister of State for Foreign and Commonwealth Affairs.

The Minister of State for Foreign and Commonwealth Affairs said that British Ministers would visit Reykjavik in the following week in order to resume the attempt to reach an interim agreement about fisheries limits with the Government of Iceland. In view of the intransigent attitude of the Icelandic Fisheries Minister, however, it might well prove impossible to reach an agreement unless we were prepared to accept a measure of discrimination in the new Icelandic fishing regulations.

The Minister of Agriculture, Fisheries and Food, recalling the earlier decisions taken by the Cabinet on the posture to be adopted in the negotiations, said that he had succeeded in persuading the fishing industry that it would be reasonable for us to accept a new formula whereby the catch would be reduced by some 30 per cent of the previous year's quantity or by 20 per cent of the average over the past 10 years. But their agreement to this course was subject to the condition that there would be no explicit discrimination against British trawlers. It would be unfortunate if, as a result of being excluded from Icelandic waters, our distant water fleet were pressed into competition with our inshore boats. But, despite the risk of a breakdown in negotiations, he believed that it would be harmful to our longer-term interests if we were to accept discriminatory measures, since this would encourage other coastal States to discriminate against us on similar lines and would also invalidate our case if we had to pursue the matter at the International Court of Justice.

The Prime Minister, summing up a brief discussion, said that the Cabinet agreed that, while a catch reduction scheme would be acceptable in principle, we ought not to accept without further consideration any arrangements which involved discrimination against British trawlers. In the forthcoming negotiations, therefore, our representatives should adhere to the conclusions of the Cabinet at their meetings on 22 and 27 June, referring back for further guidance if they judged that no agreement could be made on that basis.

The Cabinet—

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

The Secretary of State for Trade and Industry said that Mr. Kakuei Tanaka, the former Minister of Trade and Industry, had become Prime Minister of Japan. He was a realist, with useful experience of the conduct of trade relations; and we could look forward confidently to establishing a satisfactory relationship with him.
The Cabinet—

(3) Took note of the statement by the Secretary of State for Trade and Industry.

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4. The Chancellor of the Duchy of Lancaster said that it appeared likely that there would be an early meeting of the Interim Committee of the European Economic Community to finalise the mandate for the European Free Trade Area non-candidate negotiations. There were serious unresolved difficulties about paper; but it was hoped to settle these bilaterally with Finland and Sweden with the prior approval of the Community. No concession could be made on the common tariff; but it might be possible to offer some easement on sensitive products. It should not be impossible to reach agreement in a manner which would take due account of our interests; and a prompt settlement might be helpful in the context of the referenda on accession to the Community which would shortly be held in Denmark and Norway.

The Prime Minister, summing up a brief discussion, said that the Cabinet agreed that it would be helpful if agreement on these issues could now be reached. On the other hand in joining the Community we were shouldering new burdens and we looked for corresponding benefits. We had maintained this position in our own negotiation with the Community; and it was relevant also to any further bilateral negotiations which still remained.

The Cabinet—

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

SECRET

5. The Cabinet were informed of the latest developments in Northern Ireland; the conclusions reached were separately recorded and issued only to The Queen, the Prime Minister and those Ministers who had to take action.

The conclusions are recorded separately in the standard file held by the Secretary of the Cabinet.
considerable concern about the implementation of the Act, emphasising that in their view the use of the provisions for a "cooling-off" period and a ballot had been counter-productive in the case of the railways dispute and objecting to the manner in which the Industrial Court had operated. They had maintained that the objectionable features of the Act outweighed such benefits as the established trade unions might obtain from its other provisions; and, although they had denied that they refused to discuss industrial relations at all so long as the Act remained in force, they had insisted that useful discussions would be difficult in these circumstances. In reply he had been concerned to emphasise the seriousness of the economic situation and the general public expectation that the Government, the Confederation of British Industry (CBI) and the TUC should together find some solution to the problems of inflation. The TUC representatives had been unable to respond immediately to his invitation to discuss the possible measures which might be taken to reduce wage inflation; and he had therefore proposed that there should be further examination of these questions in a smaller group. It would be necessary to ensure that the TUC were kept under pressure to respond to this suggestion. He had subsequently discussed the position with the President of the CBI; and he would shortly meet the Confederation's negotiating group in order to rehearse the same arguments. The CBI would probably be able to persuade their members to agree to an extension of their present initiative on price restraint for a further period of at least three months, subject to some changes; and there were grounds for hoping that the CBI and the TUC would be able to reach agreement on the introduction of some form of independent conciliation machinery.

In discussion it was suggested that the prospect of securing the agreement of the TUC to some new voluntary system of wage negotiation which took account of the national interest would be improved if Ministers intensified their efforts to impress on public opinion the gravity of the damage caused by inflation, of which the increases in house prices and rents were particular examples.

The Cabinet—

Took note of the statement by the Prime Minister.

The Secretary of State for Employment said that he hoped shortly to receive a report on the progress being made by the Joint Committee reviewing the future of the dock industry. In the meantime a complex situation had developed as a result of the picketing by dockers of the East London depot of Midland Cold Storage Ltd. This company had decided to take a firm stand against the dockers' action, even to the extent of closing down the business, if necessary. The firm had instituted proceedings against the men concerned in both the Industrial Court and the High Court. One of the applications to the Industrial Court alleged unfair industrial practice and the other sought a reference by the Court to the Commission on Industrial Relations, under Section 45 of the Industrial Relations Act, for the purpose of determining sole bargaining rights at the depot. The company had given him formal notice of their intention to seek such
rights; and he was now statutorily obliged to offer such advice and assistance to the parties as he might consider appropriate. He would give further consideration to the action which he might take for this purpose. Consideration of the evidence and of the legal issues involved would probably occupy the Industrial Court for some days. It was unlikely that the firm would proceed with their applications for writs and injunctions in the Chancery Division of the High Court unless their applications to the Industrial Court failed.

The Lord Privy Seal said that, when negotiations with the industrial Civil Service had been resumed on the previous day, the unions had been offered arbitration on their pay claim on the basis approved by the Ministerial Steering Committee on Pay Negotiations. Since they had been unwilling to abate their claim, the Government had offered no improvement on the existing proposal for an increase of £1.50 a week for all grades. The unions now regarded the normal negotiating machinery as being exhausted and intended to report back to their Executive Committees in order to seek guidance on the proposal for arbitration, about which they had seemed unenthusiastic. In the meantime a measure of industrial action on a local and sporadic basis seemed inevitable; but a national strike seemed unlikely at this stage.

The Cabinet—

T.ook note of the statements by the Secretary of State for Employment and the Lord Privy Seal.

The Cabinet considered a Note by the Secretary of State for Trade and Industry (CP (72) 71) to which was annexed a memorandum by the Minister for Aerospace about the meeting of the Ministerial European Space Conference on 11 July, 1972, and a memorandum by the Chief Secretary, Treasury (CP (72) 70), about the United Kingdom’s policy of non-participation in the development of European space launchers.

The Minister for Aerospace said that he proposed to attend a meeting of the European Space Conference in Brussels during the following week if recent changes in the French Government did not cause it to be postponed. If the Conference took place, he would have to indicate the United Kingdom Government’s decision on the question whether to accept the offer of participation in the post-Apollo programme which had been made by the United States Government. The latter would welcome European participation in principle; but the collaboration which they were currently offering was much less attractive than had been originally envisaged. The only possibilities remaining were about £40 million of subcontracting work on the orbiter, under United States direction, on which there would be no return to the United Kingdom; or the development of a space module to be carried by the orbiter. Neither project would provide us with significant access to United States technical expertise;
and participation would not confer any preference in access to the space transportation system for the launching of European satellites. We should therefore decline to participate in the development of the post-Apollo system. A new initiative was needed, however, because European space technology, which was only one-tenth of the size of the United States effort, was badly fragmented. The European Space Conference would provide an opportunity to propose a reconstitution of European space organisations and to explore the possibilities of integrating national space programmes with the satellite development programmes of the European Space Research Organisation (ESRO). There would remain the problem of launchers, because the French Government would probably refuse to contemplate any wider discussion unless the future of the European launcher Europa was included. He had already approached the relevant French and German Ministers informally in order to ascertain their initial reactions; and, if the Cabinet agreed, he would seek to carry the discussion a stage further at the European Space Conference.

In discussion there was general agreement that the post-Apollo programme no longer offered attractive prospects for European participation, although there was a likelihood that the system, when fully developed, would have spare capacity for European applications, which we should be prepared to exploit. The forthcoming European Space Conference was an appropriate occasion to promote wider discussion of European space policy, although it might be advantageous not to go beyond seeking postponement of the Conference while a preliminary exploration of the issues was made. In any free-ranging discussion of space policy, however, it would be important not to enter into any commitment which might imply a reversal of United Kingdom policy of non-participation in launcher development. The present estimate of the cost of completing the development of the Europa II and Europa III launchers was £270 million; and, even if completed successfully, they would be out of date by 1980 when the American space shuttle would be available. Space technology was extremely expensive; and there was a danger that discussion of new programmes might be taken to imply a willingness to participate in them at a time when there were other demands on public expenditure which might command higher priority.

The Prime Minister, summing up the discussion, said that studies of the post-Apollo programme had shown that the incentives previously thought to be offered by the United States were no longer available and that the benefits of European participation were not commensurate with the costs involved. The United Kingdom Government had approached the question without bias; and other European countries would expect us to give a realistic statement of our assessment in order that a considered reply might be made to the United States. The Minister for Aerospace should therefore announce our decision not to take part in the post-Apollo programme at the European Space Conference in the following week. At the same time he might propose exploratory discussion of a possible rationalisation of European space programmes, which were currently fragmented between national programmes and those of the international organisations European Launcher Development Organisation
and ESRO. But any proposal for reorganisation to make better use of total European space technology resources would inevitably raise the problem of the development of an independent European launcher. This was primarily a political question, which the Minister for Aerospace should be prepared to discuss with European Ministers, if necessary, but without making any commitment which might imply that the United Kingdom Government were prepared to alter their policy of non-participation in European launcher development.

The Cabinet—

(1) Agreed that the United Kingdom should not participate in the post-Apollo programme of the United States.

(2) Invited the Minister for Aerospace, in leading the United Kingdom delegation to the European Space Conference on 11 July, 1972, to propose discussion of rationalising European space programmes and institutions, subject to the reservations contained in the Prime Minister's summing up of their discussion.

Cabinet Office,