CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 17 October, 1972, at 11 a.m.

Present:

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

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. 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 JELLIICOE, Lord Privy Seal

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

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

The Right Hon. WILLIAM WHITEHALL, M.P., Secretary of State for Northern Ireland

The Right Hon. ROBERT CARR, M.P., Secretary of State for the Home Department and 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. THOMAS BOARDMAN, M.P., Minister for Industry (items 3–5)

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

Mr. PATRICK JENKIN, M.P., Chief Secretary, Treasury (items 4–7)

SIR GEOFFREY HOWE, Q.C., M.P., Solicitor General

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Secretariat:
Mr. J. J. B. Hunt
Mr. H. F. T. Smith
Mr. K. T. Barnett
Mr. A. P. Hockaday
Mr. I. T. Lawman
Mr. H. F. Ellis-Rees
Mr. J. B. W. Robins

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week, before Prorogation on 26 October. These arrangements would depend upon the progress made with the large number of amendments to the Local Government Bill during the remaining stages in the House of Lords and with the subsequent consideration of Lords Amendments in the House of Commons. If it were practicable to do so, Parliament should, however, be prorogued at 11 o’clock in the morning of 26 October. Time would be provided during that week for a division in the House of Commons on the remaining Lords Amendment to the National Health Service (Family Planning) Amendment Bill; but it was important that this arrangement should not be regarded as constituting a breach of the general principle observed by the Government that Government time should not be provided for Private Members’ business.

The Cabinet—

Invited the Home Secretary and Lord President of the Council to consider, in consultation with the Lord Privy Seal, the Secretary of State for the Environment and the Chief Whip, the arrangements which should be made for the remaining stages of the Local Government Bill and in particular the handling of amendments which were likely to give rise to controversy and therefore to impede progress with the Bill.

2. The Foreign and Commonwealth Secretary informed the Cabinet that there had been indications that the Icelandic Government were considering a renewal of harassment by Icelandic gunboats of British trawlers fishing within the 50-mile limit unilaterally claimed by Iceland. He had sent a message urging restraint from any action which might exacerbate the situation. It was important that we should similarly not take any action which the Icelandic Government might construe as provocative; he proposed, however, to consider urgently, with the Secretary of State for Defence, what measures might be taken to enable the Royal Navy to enter the 50-mile zone at fairly short notice should it become necessary to render support to British fishing vessels threatened with harassment. Meanwhile, he would continue his efforts to reach a settlement of the dispute with the Icelandic Government.

The Cabinet—

(1) Took note, with approval, of the statement by the Foreign and Commonwealth Secretary.
The Foreign and Commonwealth Secretary said that Mr. Slater, the High Commissioner who had been recalled from Kampala following a threat of expulsion, had informed him that the moods of the President of Uganda, General Amin, were becoming increasingly unpredictable, and that there was little prospect of establishing rational communication with him. It was believed that Africans, including Army personnel, were being murdered with the acquiescence of General Amin. The Ugandan Army was, however, being restrained from molesting Asians or Europeans. The number of British citizens still in Uganda with personal or ancestral connections with the United Kingdom (“belongers”) was thought not to be more than some 4,000. Two United Kingdom “belongers” and one Australian had recently been arrested; but it did not at present appear that the “belongers” were in physical danger. Despite General Amin’s aberrations, the people of Uganda as a whole appeared to be still friendly to Britain; and it would be unwise to jeopardise unnecessarily our commercial interests in the country.

The Home Secretary and Lord President of the Council said that the number of Asian United Kingdom passport holders (UKPH) to be evacuated from Uganda to the United Kingdom was of the order of 22,000, all of whom would have left well before the time limit stated by General Amin. Recent reports that entry certificates to the United Kingdom were being issued to stateless Asians were incorrect. The facts were that a number of persons—some 600 heads of households—whose status was doubtful (for example those whose renunciation of United Kingdom citizenship might be shown to be invalid) were being re-examined to see if they should properly be classified as United Kingdom citizens, in which event they might be issued with entry certificates; and that entry certificates were also being granted to UKPH dependants of non-UKPH heads of families, subject to the clearly stated condition that no right of entry was thereby granted to the head of family. This latter measure might involve some separation of families; but it was essential to maintain the principle that we had no direct responsibility for non-UKPH heads of families, although we should in no way discourage the reunion of such families in third countries. Meanwhile any non-UKPH Asians from Uganda who reached the United Kingdom without entry certificates were exceptionally being accommodated in the resettlement centres established by the Uganda Resettlement Board; but it was made clear that they could not remain in this country as of right, and would be subject to deportation if they left the resettlement centres.

The Prime Minister, summing up a brief discussion, said that the Cabinet had taken note of the statements by the Foreign and Commonwealth Secretary and the Home Secretary and Lord President of the Council. The policy of refusing right of entry to non-UKPH Asians should be maintained; but we should seek, wherever possible, to encourage family reunion in third countries, perhaps under the auspices of the United Nations High Commissioner for Refugees. The Foreign and Commonwealth Secretary and the Home Secretary and Lord President of the Council should also
consider whether special arrangements were required to enable mis-
leading statements regarding the Government's policy to be quickly
and authoritatively denied.

The Cabinet—

(2) Took note, with approval, of the Prime Minister's summing
up of their discussion, and invited the Foreign and Com-
wealth Secretary and the Home Secretary and Lord
President of the Council to be guided accordingly.

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3. The Prime Minister said that the most significant element in
the published statement of the reactions of the Grand Council of the
Confederation of British Industries (CBI) to the proposals on deter-
mination of pay and prices put forward by the Government at the
tripartite discussions on 26 September had been their unwillingness to
commit themselves to the restriction of price increases over the
following year to an average of 4 per cent. They had, however, been
willing to accept a continuation of the weighted average price
increase of 5 per cent, with some freedom on the price of individual
products and arrangements to reflect major changes in raw material
costs, as long as companies benefited from the higher growth rate of
the economy and provided the trade unions accepted the proposed
flat-rate pay increase. The General Council of the Trades Union
Congress (TUC) had in their comments challenged the assumptions,
about the rate of growth of the economy and the share of the Gross
National Product (GNP) which could be devoted to wages and
salaries, on which the Government's proposal for a £2 increase in
pay was based, and had suggested that with a target of a 6 per cent
growth rate instead of 5 per cent and a 62 per cent share of GNP
devoted to wages instead of 61 per cent the average increase in wages
could be £3.40 a week. They had also claimed that a 6 per cent
growth rate would enable unemployment to be reduced, whereas this
would not be possible with a 5 per cent rate. The TUC had also
been concerned about rising prices, claiming that some form of
control was needed. They had suggested a number of measures to
help in containing prices, as well as making other proposals relating
to incomes on which they wished to see action taken. All these
issues had been given detailed consideration in preparation for the
further tripartite discussions on the previous day. He had begun
these discussions by reminding the representatives of the TUC and
the CBI of the agreed objectives, which included an improvement in
the relative position of the low-paid as well as a faster growth rate
and moderation in the rate of cost and price inflation; and he had
sought views on how best these might be achieved. Much time had
been devoted, without reaching any agreement, to discussions of the
economic assumptions about the amount which the country could
afford to devote to an increase of wages and salaries; there would be
further tripartite examination of these questions in more detail at
official level before the next tripartite meeting, which would be on
26 October. On prices the TUC representatives had insisted on the need for firm assurances that increases could be controlled, which they thought could be achieved only by some statutory means. They had, however, said that, if an overall agreement could be reached in the discussions, they expected that their General Council would endorse it. The discussion had convinced the CBI representatives that firmer arrangements on price control would in fact be necessary, and they would be giving further thought, with the retail organisations and as a matter of urgency, to this question and in particular to the difficulties of statutory control. On wages, the TUC representatives had been surprisingly forthcoming and had accepted the principle of a flat-rate increase; they had enumerated the detailed issues upon which agreement would in consequence be necessary. Although the CBI representatives had said that control of prices must be matched by control of incomes and that clear guidelines would be necessary on how the detailed aspects of a flat-rate increase in pay would be implemented, the expected clash between the CBI and the TUC had not materialised. The other matters to which the TUC representatives appeared to attach importance were increases in pensions, holding down rents and, in the case of Mr. Scanlon, an assurance by the Government that the provisions of the Industrial Relations Act would not be implemented. The discussions had been frank and marked by the desire of both the TUC and the CBI representatives that there should be a successful outcome; the TUC now recognised the force of public opinion in favour of an agreement, and would not wish to be the cause of failure, and the CBI now recognised the value to employers, even at a rather higher cost in terms of wages, of ending the present exceptional friction in industrial relations. Further work was now being put in hand on all the matters which were likely to be discussed on 26 October, and in particular on the level of increase in pay which was justified and on possible ways of dealing with defiance by individual companies or retailers of any voluntary system of price control. There were various possible combinations of elements for the final package upon which the Government might stand at the meeting on 26 October, at which he hoped a decision on the practicability of any agreement would be reached; and the Cabinet would be invited to consider the proposed package on 24 October or 25 October.

The Cabinet—

Took note of the statement by the Prime Minister.

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4. The Cabinet considered a memorandum by the Secretary of State for the Environment (CP (72) 104) about the rating revaluation which was due to come into force on 1 April, 1973. They also had before them a note by the Secretary of State (CP (72) 105), covering a preliminary appraisal by officials of the problems which were likely to arise in the forthcoming negotiations over rate support grant for 1973–74.
The Secretary of State for the Environment recalled that at their previous meeting (CM (72) 44th Conclusions, Minute 5) the Cabinet had agreed to consider further the extent to which, in the context of the forthcoming rating revaluation, local authorities could be induced to conform with measures of price restraint; how revaluation should be presented publicly; and what reassurance could be given to ratepayers. There could be no certainty that the rate poundage levied by some local authorities, or the rate bills received by some ratepayers, might not exceed a specific rate of increase. It would however be possible to contain the general increase by means of a more generous settlement of rate support grant: the Government had halved the percentage increase in grant established by their predecessors, as a result of which domestic rate poundage had risen by as much (25 per cent) in the last two years as it had in the previous four, and they had urged local authorities to undertake countercyclical activities which would still be imposing extra costs next year. A more generous grant settlement would enable him to press local authorities to restrain the growth in rates, and not to use revaluation as an occasion to increase their income. On the other hand, it would be unrealistic to expect significant savings next year in the expenditure of local authorities; substantial changes would require legislation, and could not occur before the reorganisation of local government came into effect in April 1974. He believed that the Government should then seek to make a large reduction in local authority expenditure, though not by the further removal of services undertaken by local authorities. He therefore invited the Cabinet to agree that the rating revaluation should proceed, and that in this connection regulations relating to the electricity industry should now be laid in Parliament. He hoped that this action would give rise to little publicity, and he proposed to launch the main publicity campaign about revaluation when the new valuation lists were published in December. It should then be possible to point to a generous settlement of grant and assurances of restraint from local authority associations, as well as to measures for the relief of rates in the Local Government Finance Bill; but if there were comment or speculation in the immediate future, he proposed to explain that revaluation need not mean increased rate burdens, indicate the Government's intention to be generous with rate support grant, and adumbrate further measures for the relief of rates. He invited the Cabinet to endorse his proposals for publicity, and to agree that there should be a more generous rate support grant settlement for 1973-74 and that means should be sought to reduce local authority expenditure from April 1974.

In discussion it was argued that to put off revaluation would progressively distort the rating system and aggravate inequity to individual ratepayers, notably in the field of landlord and tenant relationships, where existing rateable values no longer represented a realistic basis for compensation. Higher rateable values would however be politically unpopular, and in the public presentation of the Government's decision a concerted and sustained drive would be needed to reassure public opinion. The cost of increasing the level of rate support grant to ensure that increases in average rate
poundage were kept within the bounds of the Government's price restraint measures might be about £100 million in 1973-74; but an increase in rate support grant would not have the impact of a direct transfer of services from local to Central Government, and might encourage some local authorities to extravagant expenditure. Though in the forthcoming negotiations with the local authority associations it would be acceptable to hold out the prospect of a more generous settlement than in previous years, it would be inadvisable to suggest that the level of grant might be adjusted to meet specific levels of price restraint.

In discussion of longer-term measures to relieve the pressure on rates, it was remarked that consideration had already been given to the possibility of transferring services from local to Central Government, and agreement had been reached on measures which should yield a saving to local government of some £300 million in 1974-75. More extensive transfers would involve a radical reassessment, particularly of education costs; and in this field care must be taken that Central Government was committed neither to run services (such as the supply of teachers) that should belong to local authorities, nor to finance services without an adequate say in their administration. There might however be scope for reviewing the financing of higher education.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that rating revaluation should proceed. They attached great importance to the public presentation of this decision, in terms both of expounding the Government's measures to contain increases in rate bills, and of giving reassurance about the problems of individual ratepayers. The Secretary of State for the Environment should report to the Cabinet on the immediate arrangements for laying the electricity industry regulations in Parliament, and should bring his proposals for the public handling of the general question before the Home and Social Affairs Committee. The Cabinet would wish to consider the level of rate support grant for 1973-74 on another occasion. Meanwhile, in his discussions with local authority associations the Secretary of State should avoid commitment to the principle that the level of grant would be fixed to ensure that increases in average rate poundage were consistent with the Government's measures of price restraint. For the longer term, the Ministers concerned should examine ways in which the burden of local government expenditure might be reduced, including the further transfer of education services from local to Central Government.

The Cabinet—
(1) Agreed that the 1973 revaluation for rates should proceed.
(2) Invited the Secretary of State for the Environment—
   (i) to proceed with the arrangements for laying in Parliament the regulations relating to the rating of the electricity industry, and to report these to the Prime Minister and members of the Cabinet;
   (ii) to circulate to the Home and Social Affairs Committee his detailed proposals for the public
presentation of the Government's decision on rating revaluation and the information to be given to ratepayers;

(iii) in his negotiations with local authority associations over the level of rate support grant for 1973-74, to be guided by the views expressed in their discussion, as indicated by the Prime Minister in his summing up;

(iv) in consultation with the Chancellor of the Exchequer, the Home Secretary and Lord President, and the Secretaries of State for Social Services, Education and Science, Scotland, and Wales, to circulate to the Ministerial Committee on Regional Policy and the Environment a report on longer-term measures to reduce the cost of local government services.

(3) Agreed to consider the level of rate support grant for 1973-74 at a future meeting.

5. The Cabinet had before them notes by the Secretary of State for the Home Department and Lord President of the Council (CP (72) 106 and 107), to which were annexed drafts of The Queen's Speeches on the Prorogation and on the Opening of Parliament.

The Cabinet considered the draft Speeches paragraph by paragraph.

The Prime Minister, summing up the discussion, said that the Cabinet approved the drafts, subject to the various amendments which had been suggested and to further consideration of paragraph 2 of the Opening Speech after the European Summit meeting and of paragraph 10 after the next meeting in the tripartite talks. The Speeches should be kept under close review in order that account could be taken of any modifications made necessary by subsequent developments.

The Cabinet—

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

6. The Cabinet had before them a note by the Secretary of State for Northern Ireland (CP (72) 108) covering a draft of a paper on the future of Northern Ireland.

The Secretary of State for Northern Ireland said that the paper would be published under the title 'The Future of Northern Ireland: a Paper for Discussion'. The draft before the Cabinet incorporated passages suggested by the Foreign and Commonwealth Office and the Ministry of Defence. Officials from the Northern Ireland Office
and the Treasury would be working out a passage describing the extent of our financial assistance to Northern Ireland; he did not expect the drafting of this to give rise to any difficulty. The paper would certainly attract criticism from both sides in Northern Ireland, where it might also be dismissed as irrelevant in the present circumstances. Nevertheless, it was important to go ahead with its publication and he asked his colleagues to agree that this should take place by 30 October. He also wished to publish as soon as possible a Bill enabling a plebiscite on the border to be held and he hoped that this could be taken in Parliament without delay. He would very shortly be announcing the membership of the Diplock Commission of Inquiry: in addition to Lord Diplock, Professor Rupert Cross, Mr. George Woodcock and Sir Kenneth Younger had agreed to serve. The tribunals to deal with cases which could not be heard in open court would shortly come into operation. Turning to the situation in Northern Ireland, the Secretary of State for Northern Ireland said that a new and most serious development was the decision of Protestant extremists to mount deliberate violence against the Security Forces. They maintained that this was because we had failed to arrange for the plebiscite on the border to be taken in advance of the local authority elections, and because some of our forces had been behaving badly; but their real objective was to exacerbate the sectarian conflict and to stir up the situation generally. They were in fact throwing down a challenge to the State. On the previous night they had fired 130 rounds at our forces and 12 soldiers had been wounded. There was the further possibility that if Protestant attacks on Catholics should continue (and they might well grow) it would become very difficult to prevent the Catholics from hitting back. The present force levels were insufficient to continue the present supervision of the Catholic areas and to deal with a rising scale of violence from the Protestants. He might shortly be faced with a decision whether to detain leading Protestants who engaged in or were behind the campaign of violence. But he would consult his colleagues if it came to this.

The Prime Minister, summing up a brief discussion, said that the draft should take account of the few further points that had been made, including a reduction of the number of references to the level of Northern Ireland representation in the Westminster Parliament. The draft ruled out, in effect, a solution in which Northern Ireland became independent and gave the impression that a solution must lie in the establishment of some sort of local assembly. Discussion had shown that this was acceptable to the Cabinet. The paper should be published by 30 October. As regards the behaviour of the Protestant extremists it was important that Parliament and the public should be made fully aware of the violence being directed against our forces from the Protestant side, and that we should make plain our determination not to tolerate violence or a challenge to our authority from any quarter.

The Cabinet—

Too note, with approval, of the Prime Minister's summing up of their discussion and invited the Secretary of State for Northern Ireland to be guided accordingly.
7. The Secretary of State for Scotland said that he had now received reports on the disturbances caused by students at Stirling University on the occasion of the visit of The Queen to the University on 12 October, from the Minister of State, Scottish Office, who had been present, from the Private Secretary to The Queen, and from the Chief Constable concerned. It was clear that Her Majesty had at no time been in any physical danger, nor had there been any physical contact; the schedule for her visit had not been disrupted. There were many new students at the University and some of those involved had been drinking alcohol. The lesson appeared to be that more adequate numbers of police, both uniformed and plain-clothes, would be needed during future Royal visits to Universities. He proposed to submit a further report to the Prime Minister, of which he would send a copy to the Home Secretary and Lord President of the Council.

The Cabinet—

Took note of the statement by the Secretary of State for Scotland.

Cabinet Office,
17 October, 1972.