CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 14 December, 1972, at 10.30 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 BARRER, M.P., Chancellor of the Exchequer

The Right Hon. LORD CARRINGTON, Secretary of State for Defence

The Right Hon. JAMES PRIOR, M.P., Lord President of the Council

The Right Hon. GEOFFREY RIFFON, Q.C., M.P., Secretary of State for the Environment

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

The Right Hon. JOHN DAVIES, M.P., Chancellor of the Duchy of Lancaster

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

The Right Hon. JOSEPH GODBER, M.P., Minister of Agriculture, Fisheries and Food

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 CARR, M.P., Secretary of State for the Home Department

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. PETER WALKER, M.P., Secretary of State for Trade and Industry

The Right Hon. THE EARL JELLINEK, Lord Privy Seal

The Right Hon. MAURICE MACMILLAN, M.P., Secretary of State for Employment

The Right Hon. SIR GEOFFREY HOWE, Q.C., M.P., Minister for Trade and Consumer Affairs

The following were also present:

The Right Hon. JOHN PEYTON, M.P., Minister for Transport Industries (Item 7)

Mr. PATRICK JENKIN, M.P., Chief Secretary, Treasury (Items 5 and 11)

The Right Hon. SIR PETER RAWLINSON, Q.C., M.P., Attorney General (Item 4)
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

The Cabinet were informed that Mrs. Barbara Castle, M.P., intended to seek permission under the Ten Minute Rule to introduce, on 19 December, a Bill providing for equivalent payments to be made to all retirement pensioners who were disqualified from receiving payments under the Pensioners and Family Income Supplements Payments Act 1972 solely by reason of their non-entitlement to payment of a qualifying benefit. The Bill, which would be likely to attract public sympathy, would affect only about 7,000 people—i.e. those whose earnings during the relevant week had been sufficient to disqualify them from receiving retirement benefit. If the Government opposed the Motion they would risk losing a good deal of the credit which they had acquired by their decision to make the special £10 payment to retirement pensioners; but acceptance of the Motion would inevitably lead to the reopening of the cases of other, often more numerous, classes of individuals who, under the terms of the Act, were not entitled to the special payment.

The Cabinet—

1. Invited the Chancellor of the Exchequer, in consultation with the Secretary of State for Social Services and the other Ministers principally concerned, to consider the attitude to be adopted by the Government to the projected addition to those who would benefit under the Pensioners and Family Income Supplements Payments Act 1972.

The Cabinet were informed that the Opposition were not prepared to agree to the appointment of a joint ad hoc Select Committee of both Houses of Parliament in order to consider the arrangements for the scrutiny of draft instruments of the European Community and that discussions about the appointment of a separate Select Committee in the House of Lords had accordingly been put in hand.

The Cabinet were also informed that a formal request had now been received from the Crossbench Peers for one of their number to be included in the United Kingdom delegation to the European Parliament.

The Cabinet—

2. Agreed that a Crossbench Peer might be included in the United Kingdom delegation to the European Parliament on the understanding that this place might have to be vacated if the Labour Party reversed their decision not to participate in the delegation.
Northern Ireland

The Cabinet took note that a statement would be made in the House of Commons that afternoon, appointing 8 March, 1973, as the date for the plebiscite in Northern Ireland about the Border.

Reference: CM (72) 48th
Conclusions
Minute 3

Oversea

2. The Foreign and Commonwealth Secretary informed the Cabinet that the President of Uganda, General Amin, had stated that on Monday 18 December he would announce important decisions about the British community in Uganda. No indication was yet available about the scope and nature of these decisions or their implications for the future of the British community. They might, however, extend as far as expulsion; and, although our preparations were as complete as circumstances permitted, it might be necessary for Ministers to take urgent decisions in the following week in the light of the announcement.

The Cabinet—

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

Industrial Affairs

3. The Secretary of State for Employment said that branches of the Amalgamated Union of Engineering Workers, in particular those in the North West of England and in North and East London, had decided to hold one-day strikes in protest against the further £50,000 fine imposed on the union by the National Industrial Relations Court because of the union’s renewed failure to attend the Court’s hearings in the case concerning Mr. James Goad. The members of the union employed by the Lucas Group at their factories in the Midlands, however, had voted against industrial action; and those who had gone on strike at the Sudbury factory, where Mr. Goad had been employed, had that morning voted to return to work. While the union’s refusal to attend the Court was indefensible the merits of Mr. Goad’s case were not wholly clear-cut.

The Cabinet—

Took note of the statement by the Secretary of State for Employment.
4. The Chancellor of the Exchequer said that, together with the Secretary of State for Trade and Industry, the Secretary of State for Employment and the Minister for Industry, he had discussed with Mr. Hetherington, the Chairman of the Gas Council, the attitude to be adopted by the Council towards the request by the unions representing the gas manual workers that negotiations on their pay claim should now go forward. Mr. Hetherington had appreciated the Government's concern that the Council should make no offer to the unions before the guidelines for the second stage of the Government's counter-inflationary policy were available; and he had been willing to co-operate to this end, provided that he received from the Government an appropriate letter which he could show to the unions in justification. It had been agreed with Mr. Hetherington that a letter of this kind would be preferable to a formal direction to the Council not to negotiate, since the latter might create a false impression of the relationship between the Government and the Council. Mr. Hetherington, however, had expressed the not unreasonable hope that, even though the Council could not negotiate on pay, they might be allowed to negotiate on other aspects of the union's claim, i.e., redundancy, holidays, improved shift allowance and shorter hours.

In these circumstances it was proposed that the Minister for Industry should send Mr. Hetherington two letters. The first, which would be intended for publication, would make clear the Government's view that, until such time as guidelines were announced, negotiations, whether in the public or the private sector, should not be carried to the point at which offers of improved remuneration were made. The second, which would be a personal letter not for publication, would emphasise that under the standstill provisions remuneration included not only pay but also other improvements in the terms and conditions of employment; and, while indicating that there would be no objection to the Council's negotiating on the items other than pay, it would specify that any agreement reached on these items must also be subject to the policy for the period after the standstill and that the eventual offer on pay might therefore have to be reduced in order to accommodate the total settlement within the limits of that policy. It would also be desirable, in order to avoid any possible misunderstanding, that in the confidential letter the Minister should make clear the Government's expectations about the timing of the announcement of the guidelines for the policy after the standstill, which had been discussed at the meeting with Mr. Hetherington. While the letter might confirm that the Government hoped to announce the guidelines by the time when Parliament reassembled on 22 January, it should make clear that there could be no guarantee that this target could be met.

The Prime Minister, summing up a brief discussion, said that the Cabinet noted with satisfaction that it would not be necessary to issue a direction to the Gas Council not to negotiate on pay. This was particularly important in the light of the further advice from the Law Officers confirming their view that in the circumstances envisaged a direction to the Gas Council alone would not be valid and might
be successfully challenged in the courts, although this risk would be reduced if similar directions were given to all the nationalised industries where there was power to do so. This advice must, of course, be accepted. But it constituted a degree of restraint on the Government's power to determine the policies to be followed by the nationalised industries which it was doubtful if Parliament had intended; and the matter might need further consideration if a similar case arose in future. Meanwhile, the Cabinet agreed that the Minister for Industry should send the Chairman of the Gas Council letters on the lines which they had approved. It might be advisable to avoid any reference to a specific "requirement", which might be open to challenge when the contents of the letter which was not confidential were made public.

The Cabinet—
1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Minister for Industry to send letters to the Chairman of the Gas Council on the lines agreed in their discussion.

The Chancellor of the Exchequer (CP (72) 147), to which was attached a draft of the 1972 White Paper on Public Expenditure to 1976–77.

The Chancellor of the Exchequer said that the public expenditure programmes set out in the draft White Paper were rising faster, and from a higher base, than those shown in the White Paper for 1971. Part I of the White Paper had been prepared with this consideration in mind. It followed precedent in measuring increases in the programmes from the current year; and, because the level of the current year was high, the rate of increase over the five-year period to 1976–77 was reduced by comparison with the period from 1971–72 to 1976–77, on which the Cabinet had concentrated in their own discussions. In straight expenditure terms, the average rate of increase for the period between 1972–73 and 1976–77 was shown as 2.5 per cent; the rate of increase in demand terms was given as 3 per cent, if account was taken of the counter-cyclical additions to public expenditure in 1972–73, and as 3.4 per cent without them (paragraph 12).

The Select Committee on Expenditure had recommended that the White Paper should include a medium-term economic assessment; and a number of the Government's supporters in Parliament had strongly advocated this. Moreover, it would be necessary to provide information of this kind to the European Economic Community; and he had therefore decided to include a new table (table 1.2), illustrating two possible growth rates of the economy, at 3.5 per cent and 5 per cent which the National Economic Development Council had earlier accepted as appropriate. This was some way short of a full assessment; but the use of two illustrative rates should help to avoid
criticism that the Government refused to contemplate the possibility that a 5 per cent rate of growth might prove to be too high and should demonstrate that even on the lower growth assumption their plans for public expenditure were consistent with prudent management and that they were pursuing a cautious policy until it should become apparent that a higher level of resources was clearly going to be available.

It was proposed that the White Paper should be published on 19 December.

The Prime Minister, summing up a brief discussion, said that the Cabinet noted that the matters outstanding from the previous discussion had been resolved and that total public expenditure now conformed with the limits which they had laid down in July. It would be important to ensure the most favourable public presentation of the White Paper, with particular emphasis on the social and economic benefits to be derived from the very considerable outlay involved.

The Cabinet—

Approved the publication, on 19 December, of the 1972 White Paper on Public Expenditure.

6. The Cabinet resumed their consideration of the legislative programme for the 1972-73 Session. They had before them a memorandum by the Lord President of the Council (CP (72) 149).

The Lord President of the Council said that the Cabinet had accepted in principle that some reduction in the legislative programme must be secured. The Annex to CP (72) 149 indicated the Bills which Departmental Ministers still wished to introduce in the current Session, distinguishing between those which probably could not be deferred and those which should now be considered for deferment. Measures to deal with inflation and Northern Ireland, together with the Finance and Consolidated Fund Bills, must be given first priority in the remainder of the Session; and these, together with the legislation already introduced, would make heavy demands on the available legislative time. It would not be possible to accommodate all the other Bills except at the expense of another Session at least as onerous as the last two Sessions and possibly even more so. Recesses would again have to be shortened; important Government business would once more have to be taken after 10 o'clock; and many reasonable and strongly-supported requests for debates on important subjects would have to be refused. The Government would be severely criticised if they inflicted on Parliament a wholly unreasonable burden of legislation; and, unless they lightened the programme, the Bills to which they must give priority would be jeopardised. Four major Bills had not yet been introduced, namely, Training and Employment, Water Reorganisation, Local Government and
Insurance. In consultation with the Chief Whip he had regretfully concluded that two of these Bills should be deferred. Although there was a case for introducing a short money Bill on the Channel Tunnel in July, it would be practicable to defer this until after the Summer Recess and, possibly, until the next Session. As regards the proposed legislation on Unoccupied Office Properties action was admittedly required in order to deal with the problem of Centre Point; but some method not involving legislation should be found, if possible. Whether or not the Spot-the-Ball Bill would be needed must depend on the decision now awaited from the House of Lords in the relevant appeal. Until recommendations had been received from the Speaker's Conference on Electoral Law it would not be known whether the Bill on Electoral Registration would be required. As regards the three Scottish Bills, it had already been agreed that the Lord High Commissioner (Church of Scotland) Bill should be deferred, at least for the time being; but, provided that the Second Reading of the other two Bills could be taken in the Scottish Grand Committee, there need be no objection to their proceeding. It was to be hoped that it would be possible to defer the Bill to make amendments to United Kingdom legislation consequential on changes in Northern Ireland law.

In discussion, there was general agreement that the Bill on Training and Employment should not be deferred. Its drafting, however, should be completed urgently, in order that it might be introduced shortly after the Christmas Recess. It was for consideration whether, pending the enactment of legislation on Insurance in a later Session, adequate administrative steps could be taken to prevent the bankruptcy of further insurance companies. On the other hand, the collapse of the Vehicle and General Insurance Company had made a very serious impact on public opinion; and, if another large insurance company were compelled to cease operations, the Government would incur severe criticism for having failed to take urgent action to remedy the existing deficiencies in the law while the standing of the Department of Trade and Industry would be seriously impaired. While the Bill might be introduced in the House of Lords, this would not reduce the requirement for time in the House of Commons; and it might prove impossible to secure the passage of the Bill in the latter House in addition to all the other legislation which would be before it at the relevant time. In order to render the Bill on Water Reorganisation less controversial and to meet the objections of local authorities it was not now proposed to absorb the undertaking of the British Waterways Board in the new organisation; and it was envisaged that local authorities should be given a majority of the seats on the Regional Water Authorities. These changes, however, might be criticised as substantially altering the character of the reorganisation; and it would therefore be necessary for the Home and Social Affairs Committee to consider them in more detail as a matter of urgency. Even if these changes were made, however, the Bill would be liable to have little political attraction; and substantial problems would remain in connection with the treatment of land drainage. On the other hand the reorganisation would be essential sooner or later; and in terms of administrative efficiency
it would be preferable to enact the Bill in the current Session rather than in the following one. The Bill on Local Government would comprise a number of measures which would benefit ratepayers; but it could probably be deferred until the following Session, provided that it was then enacted in time for the relevant provisions to take effect when the local government reorganisation came into operation in April 1974. In the meantime, consideration was being given to the possibility of introducing substantial changes in the financing of local authorities and of relieving the burden of their expenditure.

The legislation on Unoccupied Office Properties would be necessary unless a satisfactory means could be found to deal with vacant large office properties such as Centre Point. While any Bill on this subject would be highly controversial and thus add substantially to the burden of legislation, the Government had undertaken a firm commitment to satisfy the criticism evoked by such properties; and action was now urgently needed to discharge this commitment. A single clause money Bill on the Channel Tunnel would be needed by November if we were to comply with the terms of the relevant agreements. The Speaker's Conference on Electoral Law had not yet been established because the Opposition had so far failed to nominate individuals to serve as members. This delay was a matter of serious concern. The provisions of the Salmon and Freshwater Fisheries (Scotland) Bill would not necessarily be certified by the Speaker to relate exclusively to Scotland; and, since the Bill might accordingly not be referred to the Scottish Standing Committee, it was not now proposed to proceed with it in the current Session. It was not yet known whether a Bill would be required to make changes in United Kingdom legislation consequential on changes in Northern Ireland law.

In further discussion considerable concern was expressed that it would not be practicable to secure the passage of all the legislation which was contemplated. On the other hand much would depend upon the extent to which the Government could enlist the ready support of their backbenchers and the Opposition continued to be divided. It would therefore be necessary to keep the progress of the programme under close review.

The Prime Minister, summing up the discussion, said that the Cabinet recognised that, if some reductions in the legislative programme were not made, the Government would be likely to incur criticism for imposing so unreasonable a burden of legislation on Parliament. The full support of Government backbenchers would be needed if the passage of all the proposed Bills was to be secured. It was very desirable that the Bills on Training and Employment and Insurance should be introduced in the current Session. The preparation of the former Bill must now be completed as a matter of urgency. It might be convenient to introduce the latter Bill in the House of Lords in order to avoid delay to the Bill dealing with the second stage of the Government's counter-inflationary policies. There were also strong administrative reasons for introducing the Bill on Water Reorganisation this Session; and, subject to the approval of the modified proposals by the Home and Social Affairs Committee and to consideration of the Bill by the Legislation Committee, it should
be introduced before the Christmas Recess. While the Local Government Bill might be deferred until the following Session, it would be necessary for it to be enacted in time for a number of the changes for which it would provide to be brought into effect at the same time as the reorganisation of local government in April 1974. The question whether this Bill should be deferred should accordingly be reviewed in a few months’ time. Action must be taken as a matter of urgency to ensure that large office properties such as Centre Point did not continue to remain unoccupied; and, if the problem could not be dealt with satisfactorily by any other method, it might be necessary to introduce legislation to give effect to the undertakings which had been publicly given by the Government.

Further consideration should be given to the arrangements to be made in Parliament for consideration both of the Channel Tunnel project and of the necessary legislative provisions, bearing in mind the terms of the agreements into which the Government had entered. Whether legislation would be needed on Electoral Registration would not be known until recommendations had been received from the Speaker’s Conference on Electoral Law; and it was a matter of considerable concern that the Opposition had so far failed to nominate individuals to serve as members of the Conference. It would be necessary to ensure that the public understood where responsibility for the delay in proceeding with the Conference lay. Further consideration should be given to the need for the proposed Bill to make changes in United Kingdom legislation consequential on changes in Northern Ireland law.

The Cabinet—
1. Took note, with approval, of the Prime Minister’s summing up of their discussion.
2. Agreed that the Bills on Training and Employment and Insurance should be completed urgently and introduced at the earliest possible date.
3. Agreed that, subject to the Home and Social Affairs Committee’s endorsement of the proposed policy changes and the Legislation Committee’s approval of the draft Bill, the legislation on Water Reorganisation should be introduced before the Christmas Recess.
4. Agreed to review at the end of February the question whether the Local Government Bill should be deferred to the following Session.
5. Invited the Secretary of State for the Environment, in consultation with the Chancellor of the Exchequer, the Home Secretary and the Lord President of the Council, to give urgent consideration to the action which should be taken to discharge the Government’s commitment in relation to unoccupied office properties and to report their conclusions to the Prime Minister at an early date.
6. Invited the Lord President of the Council, in consultation with the Secretary of State for the Environment, the Lord Privy Seal, the Parliamentary Secretary, Treasury, and the Captain, Gentlemen-at-Arms, to consider the
arrangements to be made for consideration in Parliament both of the Channel Tunnel project and of the relevant legislative provisions.

7. Invited the Lord President of the Council to arrange with the Opposition for the names of the individuals to serve as members of the Speaker's Conference on Electoral Law to be provided forthwith, in order that the Conference should be enabled to proceed urgently to consider the matters referred to it.

8. Invited the Secretary of State for Northern Ireland to give further consideration to the question whether a Bill to make changes in United Kingdom legislation consequent on changes in Northern Ireland law was required.

9. Took note that the proposed Salmon and Freshwater Fisheries (Scotland) Bill would not be required in the current Session.

CONFIDENTIAL

7. The Cabinet had before them a Note by the Secretary of State for the Environment (CP (72) 151) to which was annexed a memorandum by the Minister for Transport Industries, describing the current position in the European negotiations on lorry weights.

The Minister for Transport Industries said that he believed it unlikely that the European Community would attempt to force through a decision on the weights and dimensions of commercial vehicles based on the common orientation reached earlier in the year. Bilateral contacts indicated that the only pressure for a decision came from the French Government; and it seemed that even they might now accept that this subject could not be settled before the Community was enlarged by our accession on 1 January, 1973. We should need to examine the possibilities of a compromise solution during 1973; but we should avoid undue haste in taking an initiative for this purpose. The Community position in recent discussions had rested largely on the common orientation. But once additional members had acceded this orientation would no longer be valid and the existing members would probably modify their positions. The prospects of a compromise which we could accept would then be improved.

In discussion it was suggested that, although deferment of the decision appeared to be the most likely outcome of the further meeting of the Council of Ministers to be held in Brussels on 18 and 19 December, we might be faced with a situation in which, as a result of French pressure, the Community either adopted a settlement on the lines of the present proposals or sought our agreement to some compromise. Both these possibilities would cause us considerable difficulty. It would be almost impossible to defend any compromise solution so soon after the recent Parliamentary debate in which the Community's attitude had been so sharply criticised; and, if the Six forced through the present draft directive in the face
of our known opposition, we should have to maintain that we could not regard ourselves as bound by it. For the longer term, despite the advantages of securing a considerable period of deferment, it would be advisable to avoid a situation in which the settlement on heavy lorries might become involved with all the other issues which would fall to be settled by the end of the following year.

**The Prime Minister**, summing up the discussion, said that the Cabinet agreed that we should continue to seek to have the decision deferred until after our entry into the Community. But it was clear that the French authorities were at present insisting on securing an immediate decision; and the other members might weaken under this pressure. The Minister for Transport Industries should therefore indicate at the meeting of the Council of Ministers on 18 and 19 December that, although we could not accept an unfavourable decision before our accession, we would be prepared to negotiate constructively about the matter in 1973 with the aim of settling it within six months. The Cabinet would wish to consider at a later date the details of the arrangement which we might then be able to negotiate, bearing in mind the attitude of our Community partners and the presentational difficulties in this country.

The Cabinet—

1. Took note, with approval, of the Prime Minister’s summing up of their discussion and invited the Minister for Transport Industries, in his discussions with Community representatives on 18 and 19 December, to be guided accordingly.

2. Invited the Secretary of State for the Environment, on the assumption that the Community decision was deferred until after United Kingdom accession, to give further consideration to a possible solution and to circulate proposals at the appropriate point.

**The Prime Minister** reminded the Cabinet that a large number of important subjects would be under discussion at the combined Council Meetings of the European Community in Brussels on 18 and 19 December. These included not only lorries and similar subjects, where the Community was trying to press business to completion, but also negotiations on agricultural transition which were now at a critical stage on the issues of New Zealand dairy products, sugar, and the arrangements for pigmeat, eggs and poultry. Ministers should have in mind the need for their Departments to keep in close touch with developments in Brussels in these last days before our accession to the Community. We must be ready to take prompt decisions when necessary; and efficient interdepartmental co-ordination would be particularly important.

The Cabinet—

3. Took note, with approval, of the Prime Minister’s statement.
8. The Cabinet considered a memorandum by the Lord Chancellor (CP (72) 146), to which was annexed a draft statement about the terms of reference and composition of the Royal Commission which the Cabinet had decided should be established to consider the basis of liability for personal injury.

The Lord Chancellor said that a meeting of the Ministers principally concerned had decided to recommend a change in the draft terms of reference previously considered by the Cabinet (Annex to CP (72) 129). This would make it clear that the Royal Commission would be required to consider not only in what circumstances and by what means compensation should be payable in respect of death or personal injury but also the prior question whether compensation should be payable at all. As regards the composition of the Royal Commission, the Ministers considered that Lord Pearson would be a very suitable Chairman. It had been ascertained informally that he would be willing to undertake the task if invited to do so; and it was accordingly suggested that his name should be announced as part of the statement that a Royal Commission was to be established. The meeting of Ministers had also agreed the terms of the draft statement which was before the Cabinet. The draft omitted any reference to the Government’s reservations about a possible State insurance scheme on the grounds that this matter could most effectively be dealt with in reply to supplementary Questions. It was proposed that the statement should be made before Parliament rose for the Christmas Recess.

In discussion there was general agreement with these proposals. The outcome of the Royal Commission might prove to be expensive and embarrassing. But an inquiry into the issues involved was inevitable at some point; and on balance it would be politically preferable to institute it without further delay. It would be important, however, to arrange appropriate publicity for the announcement and, in particular, to emphasise that the Government were not committed in advance either to the payment of compensation in any of the circumstances referred to in the terms of reference or to a scheme of State insurance.

The Prime Minister, summing up a brief discussion, said that the Cabinet approved the terms of reference now proposed. They also agreed that Lord Pearson would be a suitable Chairman and that his appointment should be announced at the same time as the decision to establish the Royal Commission. The terms of the draft statement were acceptable, subject to a drafting point which the Secretary of State for Social Services should discuss with the Lord Chancellor. The statement should be made on Tuesday 19 December by himself in the House of Commons and by the Lord Chancellor in the House of Lords. The publicity arrangements should be discussed between the Lord Chancellor and the Home Secretary.

The Cabinet—
1. Took note, with approval, of the Prime Minister’s summing up of their discussion.
2. Invited the Lord Chancellor and the Home Secretary to proceed accordingly.
9. The Cabinet had before them memoranda by the Secretary of State for Scotland (CP (72) 148) and the Secretary of State for the Environment (CP (72) 154) about the action to be taken against local authorities who were failing to implement the provisions of the Housing Finance Acts.

The Secretary of State for Scotland said that opposition in Scotland was crumbling. The number of authorities in default was now only 14. Others would probably comply shortly; and it seemed likely in the end only two minor authorities would persist in their refusal to implement the Act. Glasgow Corporation had voted to continue defiance; and he proposed that the Lord Advocate should apply to the Court of Session on his behalf for an Order requiring the specific performance of the steps specified in the default Order which had recently been made. He had ascertained informally, however, that the Corporation would comply with an Order of the Court; and he therefore intended to ask the Lord Advocate to adopt the most rapid procedure available by applying for an interim Order.

The Secretary of State for the Environment said that at Clay Cross the District Auditor had adjourned his hearing until 4 January 1973 and that at Conisbrough the Council might resolve to implement the Act at their next meeting. The most serious difficulty was presented by Camden, where the Council had recently resolved not to comply with the default Order. The Labour majority group on the Council, however, was very evenly divided; and nearly half its members had abstained from voting. In these circumstances strong action afforded the best prospect of persuading the Council to comply; and he therefore proposed to inform them that he intended to stop their entitlement to subsidies under the Housing Finance Act for 1972–73 and, if their default continued, for 1973–74. The Council would be allowed 21 days in which to make representations. He would also ask the Council to repay some £700,000 (equivalent to a 2p rate) which had been paid in June 1972 as an advance payment of subsidies due under the Act.

The Secretary of State for Wales said that two Housing Commissioners had now been appointed in Wales, as had been agreed by the Cabinet, and that matters were proceeding smoothly.

In discussion there was agreement that strong action was necessary as the most likely method of securing compliance by Camden. There was some danger, however, that, if too drastic measures were adopted, public opinion might support the Council against the Government and that the prospect of ending the default would therefore be reduced.

The Prime Minister, summing up a brief discussion, said that the Cabinet agreed generally with the proposals by the Secretaries of State for the Environment and for Scotland. The action taken against Camden, however, should not be so drastic as to risk provoking a serious public reaction in the Council’s favour. The Secretary of State should therefore inform the Council of his intention to
withhold subsidy for 1972-73 and, if necessary, for 1973-74, allowing
them due time in which to make representations; but it would be
preferable not at this stage to seek the refund of the advance pay­
ment already made.

The Cabinet—

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

10. The Cabinet considered a memorandum by the Lord Privy
Seal (CP (72) 150) about Civil Service manpower.

The Lord Privy Seal said that, in accordance with the Cabinet’s
decision at their meeting on 8 August, the Parliamentary Secretary,
Civil Service Department, had discussed with designated Ministers
in each Department possible means of reducing forecast staff require­
ments for each Department by 1 per cent a year. As a result,
forecast total requirements for industrial and non-industrial civil
servants at 1 April, 1973, had been reduced by nearly 5,000, and at
1 April, 1974, by over 11,000, equivalent to financial savings in a full
year of about £9 million and £20 million respectively. Although
this would imply that total numbers at 1 April, 1974, would be 15,000
higher than in July 1970, and might therefore attract some criticism
when the figures became known, he intended to approve the 1973-74
Estimates on this basis. It was important that Ministers given
responsibility in Departments for seeking staff savings should have
a continuing responsibility in this field, regularly scrutinising demands
for staff increases and seeking reductions wherever possible, and that
they should be involved in the formative stages of policy-making
which had significant manpower implications. The Parliamentary
Secretary, Civil Service Department, would continue to keep closely
in touch with them. He himself was proceeding with the programme
of manpower reviews approved by the Cabinet at their meeting on
16 March and hoped soon to settle which two or three Departments
should be reviewed after the Scottish Office.

The Prime Minister, summing up a brief discussion, said that
the Cabinet approved the proposals. The success which had been
achieved in checking the rate of growth of Civil Service manpower
showed the value of giving junior Ministers greater responsibility
for specific fields of work; and the measures which were now in hand
or proposed should be pressed forward vigorously.

The Cabinet—

Approved CP (72) 150.
11. The Cabinet considered a memorandum by the Secretary of State for Trade and Industry (CP (72) 152), to which was attached a memorandum by the Minister for Industry about the development strategy of the British Steel Corporation (BSC) to the early 1980s. They also had before them a Note by the Secretary of State for Employment (CP (72) 155) on the implications of this strategy for manning and employment.

The Prime Minister said that the Ministerial Committee on Economic Strategy had recently discussed the BSC’s development strategy, which involved difficult questions of industrial, regional and social policy in areas which already suffered from high rates of male unemployment. The proposal to concentrate on five major works would mean scrapping modern equipment elsewhere, dispersing skilled manpower and dissipating traditions of good industrial relations in favour of some areas with a less impressive record. These considerations had led the Committee to propose that the Chairman and certain members of the Board of BSC should make an oral presentation of their strategy to the Ministers directly concerned on the following day, in order that, when the Cabinet resumed their discussion, they might be more fully informed about the rationale of the BSC’s proposals. Meanwhile, the Cabinet might usefully have a preliminary discussion of the main features of those proposals. The Government were being pressed to make a statement on the subject before the Recess; but it would be unwise to take premature decisions, on that account alone, on issues of such major importance.

The Secretary of State for Trade and Industry said that, in the light of past events, there could be legitimate doubts about the realism of the BSC’s development strategy. But extended discussions with the Board had established that all its members were not only well aware of these doubts but had also satisfied themselves that their proposals could be defended against any criticisms which were likely to be expressed at the presentation on the following day. The BSC’s strategy should be seen in the context of the nation’s industrial position and prospects. Between 1964 and 1970 the investment programmes of all our major competitors in terms of steel had increased more rapidly, in relative terms, than our own; and in the last two years this trend had probably accelerated. If it continued, our industrial base would be heavily outmatched by that of France and the Federal German Republic. In France, steel output was expected to reach a level by 1975 which we were not planning to attain until the mid-1980s. A major factor in the development of the steel industry was the reduction in costs which could be achieved by the transport of ore in bulk carriers to deep water coastal sites, of a kind being intensively exploited in France and Japan. Inland works were bound to suffer in competition; it had been estimated, for example, that the cost of producing steel at Shotton, even when modernised, would still be £4 per tonne higher than at Port Talbot. Moreover, the Government’s decisions must be related to our forthcoming membership of the European Coal
and Steel Community (ECSC), whose rules did not allow the industry to be subsidised. If the industry became uncompetitive, therefore, the loss of jobs would be even greater than under the BSC’s proposals. Even so, it must be recognised that the Corporation’s strategy necessarily depended on assumptions about world prices which might be falsified; and there were therefore risks in proceeding quite as rapidly as they would like. There was little doubt of the eventual need for a modern complex of the kind proposed for Teesside. But the wisdom of commissioning it immediately had been questioned; and the Government could guard against the risks of over-development by keeping control of the timing both of this project and of the proposed expansion of Port Talbot and establishing year by year whether circumstances justified an advance to the next stage.

The Secretary of State for Scotland said that he recognised the need to modernise the steel industry; and it was notable that at Hunterston Scotland could offer the only berth in Europe which would accommodate, without dredging and in proximity to a level site, ore carriers of half a million tons. But the BSC’s proposals envisaged the closure or under-use of a substantial amount of modern finishing capacity in Scotland; and it would therefore be preferable to increase the proposed production of liquid steel in Scotland by 1–1½ million tonnes a year, partly by expanding production at Ravenscraig more quickly than was envisaged and partly by replacing the proposed small electric arc steel works by a larger works based on the reduction of iron ore and by keeping two existing rolling mills in production. Otherwise, the range of products would be greatly reduced; and under the ECSC “basing-point” price system, users of steel in Scotland would incur higher charges.

The Secretary of State for Wales said that the BSC’s strategy did not take sufficient account of the social problems which it would create. Wales was more dependent on steel than any other part of the United Kingdom; 11 per cent of the male workforce was employed in the steel industry. The BSC’s proposals would entail a loss of 17,000–18,000 jobs including 4,500 at Ebbw Vale, 6,500 at Shotton and 4,000 at Cardiff. The life of such localities would be devastated. Without prejudice to the case for modernising the steel industry, the BSC’s estimates had consistently been shown to be optimistic; and when they had been asked to justify the assumptions underlying their strategy they had failed to do so. The expansion of productive capacity in France and Japan must inevitably give rise to considerable doubts about the potential for exports of British steel. In the light of the consequences of over-capacity in the longer term the case for a new complex on Teesside had not been made out; and it would be preferable to proceed with modernising the five “heritage” works, as well as Shotton.

In discussion the need to modernise the steel industry was endorsed in principle and it was accepted that steel technology had made such rapid progress that even comparatively modern works, such as Shotton or Cleveland, would soon become outdated. But it was more difficult to assess the extent, siting and timing of the necessary expansion. If the Corporation’s present estimate of demand
was once again too high and the industry was compelled to operate at less than full capacity in the competitive climate of the ECSC, wholesale closures of the older plants would become inevitable. In this connection it was very relevant that the BSC's assumptions about profitability were based on the most optimistic view of prices for steel, levels of turnover and of exports and costs of production. On the basis of more realistic assumptions the proposed Teesside complex showed a negative return, in net present value terms, of between £250 million and £500 million. The Corporation should therefore be pressed to justify their own assumptions at the forthcoming presentation. Even so, the risks entailed by a programme of modernisation and expansion could be argued to be outweighed by the danger that, if such a programme was not commissioned without further delay, the industry would be condemned to inexorable decline. Resources would be better spent in producing an industry capable of competing in world markets than in supporting an industry in progressive decay.

In further discussion it was suggested that there was a risk of excess world capacity in the manufacture of crude steel and that there was therefore a case for placing greater reliance on imports of crude steel and concentrating the manufacturing capacity in this country on processing. This would improve profitability and would diminish the need for capital investment, although it would have an adverse effect on the balance of payments and might put the industry at a disadvantage in competition with foreign plants which both made and processed steel. The economic advantages of coastal sites for new complexes should also be weighed against the social costs of abandoning existing works inland. In particular, the phasing of the Teesside complex must be considered in relation to its effect on other parts of the North East; an immediate announcement of the construction of a new plant which could not be completed for five or six years would give rise to widespread dismay in the areas likely to be affected by closures. Moreover, experience in the administration of regional policy had shown the danger of an assumption that industry which had disappeared from an area could readily be replaced; and there was already a marked tendency for any new jobs in the areas which would be most affected under the proposed strategy to be taken by women rather than by men. The scale of change and closures envisaged in the BSC’s strategy entailed not only economic but also social risks; and the Government must be on their guard against exposing a flank in these areas to subversive elements as well as to their political opponents.

The Prime Minister, summing up the discussion, said that the Cabinet had had a useful exchange of views. They recognised that in the face of competition from our partners in the ECSC there were compelling reasons for the British steel industry to be modernised; and the fact that other countries were already heavily committed to increased investment was not in itself an argument that we should draw back. When the annual output of a single Japanese company was already 35 million tonnes, alternative strategies producing 33 million or 36 million tonnes in the 1980s must be seen in perspective. None the less, the Cabinet had recognised that the social and regional
problems involved in the reorganisation of the industry must be given full weight; and these would be explored further with the BSC in the course of the presentation on the following day. The outcome of that occasion would be reported to the Cabinet when they resumed their discussion at the next meeting.

The Cabinet—

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

*Cabinet Office,*

*14 December, 1972.*