CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 20 February, 1973, at 11.30 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 BARBER, M.P, Chancellor of the Exchequer

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 JELLICOE, Lord Privy Seal

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

The Right Hon. LORD HAISHAM OF ST. MARYLEBONE, Lord Chancellor

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 RIPPON, 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. SIR GEOFFREY HOWE, Q.C, M.P, Minister for Trade and Consumer Affairs

The following were also present:

Mr. TOM BOARDMAN, M.P, Minister for Industry (Items 2 and 3)

Mr. PATRICK JENKIN, M.P, Chief Secretary, Treasury (Item 3)

The Right Hon. FRANCIS PYM, M.P, Parliamentary Secretary, Treasury
Secretariat:
The Right Hon. Sir Burke Trend
Mr. J. J. B. Hunt
Mr. I. T. Lawman
Mr. H. F. Ellis-Rees

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SECRET
1. The Home Secretary informed the Cabinet that three individuals, whose identity had not yet been precisely established, had attacked the offices of the Indian High Commission in Aldwych earlier that morning. Two of them had been killed in the subsequent encounter with the Police; the third had been captured; and two members of the staff of the High Commission had been injured.

The Cabinet—

Took note of the statement by the Home Secretary.

2. The Secretary of State for Employment said that the scale of industrial action against the Government's pay policy was increasing. The General Council of the Trades Union Congress (TUC) had decided by a narrow majority to convene a special Congress on 5 March, which would meet against a background of industrial action in the gas industry, on the railways, in the National Health Service (NHS), in the Civil Service, in London schools and possibly at Fords, with, additionally, a threat of such action in the coal industry. The Finance and General Purposes Committee of the TUC would meet on 28 February in order to draft a resolution for the consideration of the special Congress. This might take the form of a declaration of the TUC's opposition to the Government's pay and prices policy and a call for the restoration of free collective bargaining, together with some expression of support for those unions which decided to take industrial action on their claims. There would be pressure from militant elements at the special Congress for a national one-day strike. This, however, would probably be unsuccessful; and at present the risk of a general strike seemed remote. But the support for a national one-day strike would increase if sanctions were implemented against individual unions. The possibility of invoking the provisions of the Industrial Relations Act in the present circumstances had been examined. But it seemed unlikely that the requirements with which any application for a "cooling off" period would need to comply could be met; and the Industrial Court would be likely to regard such an application as intended merely to prevent industrial action from taking place until the powers under the Counter-Inflationary Bill were available to the Government. In general, however, the unions did not appear to be seeking an outright confrontation with the Government; a more probable danger was a progressive deterioration in the industrial climate, which both the Government and the TUC might find difficult to prevent.

In discussion the following main points were made—

(a) Over 7,000 men were now on strike in the gas industry; and a further 30,000 were operating a ban on overtime and working to rule. 12,000 workers in affected industries had had to be laid off; and 2½ million consumers had suffered reduced gas pressure. After protracted negotiations the threat of a 24-hour strike in the South-
Eastern Gas Board area on the following day, which would have made it necessary to cut off the supply in the area and, possibly, to curtail natural gas supplies generally, had now been averted. As a result the supply in the South-East should be maintained at a reduced, but safe, pressure. Although a critical situation had been only narrowly averted, the British Gas Corporation remained of the view that Emergency Powers were not required, not least in view of the risk of a deterioration in their relations with the unions, which could persist after the dispute had ended. In these circumstances it would be difficult for the Government to claim that Emergency Powers were needed in order to maintain public safety.

(b) The unions representing the NHS ancillary workers had decided to take official industrial action from 1 March. The form of action, which would be co-ordinated by regional committees, would vary from hospital to hospital and might comprise one-day strikes, overtime bans or a withdrawal of co-operation. It was proposed to discuss with the unions on 21 February the steps which they would be prepared to take in order to keep vital services in hospitals in operation.

(c) The Associated Society of Locomotive Engineers and Firemen had decided to hold a 24-hour strike on 28 February, which would apply to drivers employed by London Transport as well as those employed by the British Railways Board (BRB). In the meantime their members employed by the BRB had refused to work unrostered overtime or on rest days. Although this had led to some curtailment of rail services, the situation was not at present serious.

(d) Manual workers in the water industry were waiting on developments in the gas industry but seemed unlikely to wish to take industrial action. There was still scope for a small increase in the pay offer without any breach of the Stage 2 pay policy.

(e) It appeared likely that the National Union of Mineworkers would seek arbitration on the question of the consolidation of their rest days into their holiday entitlement.

(f) Ministers had so far been successful in maintaining favourable publicity for the Government's pay and prices policy. There were now some indications, however, of a gradual erosion of public support for the Government; and it would be important in the period of a fortnight before the Budget to make a renewed effort to counter suggestions of Government inactivity in the face of industrial unrest. Ministers would also need to consider their attitude towards the TUC's proposals in their document "Economic Policy and Collective Bargaining, 1973". Although the General Secretary of the TUC was under instructions not to seek discussions with the Government, there was little doubt that he would welcome an invitation to exchange views about the TUC's proposals. In present circumstances, however, a meeting could do little more than provide additional advertisement for those proposals, whereas the Government should be mainly concerned to secure more effective publicity for the measures which they had already taken in order to relieve hardship, e.g. the proposed increases in rent rebates and allowances.
It would also be necessary to consider what more could be said publicly on the vulnerable areas of policy, such as food prices and rates.

(g) There would be strong pressure for the Government to find time for a debate in the House of Commons on the forthcoming Consultative Document on the Price and Pay Code, which was due to be published by the Government on 26 February. It would be better to volunteer time for this purpose than to yield to Opposition pressure; and the debate on the Defence White Paper, which was due to be held on 5 March, should be deferred in order to provide the necessary time. It would also be desirable to issue a statement simultaneously with publication of the Consultative Document, in order to describe the procedure which the proposed Pay Board would follow in examining the problems of relativities and anomalies in accordance with paragraph 33 of the Stage 2 White Paper (Cmnd. 5205).

The Prime Minister, summing up the discussion, said that the Cabinet must be prepared to face a difficult period of industrial unrest until the Counter-Inflation Bill received the Royal Assent. Every effort should therefore be made to expedite the Bill's passage. The Cabinet agreed that the situation in the gas industry did not justify the Government in recommending the proclamation of a State of Emergency at the present time. The Secretary of State for Defence and the Lord President should consider, in consultation with the Home Secretary, what additional steps might be taken in order to maintain the momentum of Government publicity in support of the pay and prices policy; and the Secretary of State for the Environment should consider arranging an early campaign to bring home to the public the benefits from the increased rent rebates and allowances. He himself would discuss with the Ministers most closely concerned what steps might be taken to deal with the problem of food prices; and he would discuss further with the Chancellor of the Exchequer the question of the Government's attitude towards the TUC's economic proposals. The Cabinet would have an opportunity later in the week to consider the draft Consultative Document on the Price and Pay Code; and the Secretary of State for Employment should prepare the draft of a statement, which might be issued at the same time as the Consultative Document, explaining the machinery for dealing with cases under paragraph 33 of Cmd. 5205. Time should be made available on 5 March for a debate on the Consultative Document in the House of Commons.

The Cabinet—

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

(2) Invited the Secretary of State for Defence and the Lord President, in consultation with the Home Secretary, to consider further publicity measures in support of the pay and prices policy.

(3) Invited the Secretary of State for the Environment to consider an early publicity campaign on rent rebates and allowances.
(4) Invited the Secretary of State for Employment to prepare a draft statement on the machinery for dealing with cases under paragraph 33 of Cmnd. 5205.

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3. The Cabinet considered a memorandum by the Secretary of State for Trade and Industry (CP (73) 15) about the reorganisation of the nuclear design and construction industry.

The Secretary of State for Trade and Industry said that the Ministerial Committee on Economic Strategy had endorsed his recommendation that the nuclear design and construction industry should be based on the private sector. This view also had the general support of the industry and the electricity supply authorities. In view of the weakness of the existing consortium structure, a single company must henceforward take the lead; and the General Electric Company (GEC) were the only existing company with the necessary experience and strength for the purpose, despite the hostility with which many other firms would undoubtedly receive a decision to this effect. It should be possible to negotiate acceptable terms with GEC, including reserved rights for the Government as regards purchasing policy, international collaboration and the control of shares. Government intervention should be limited, however, to those matters which were properly the Government's concern. Annex I to CP (73) 15 described three possible structures for the new company. The most effective arrangement would be one whereby GEC would hold the majority of the shares, other private interests would be offered around 20 per cent and the Government would hold the smallest minority stake consistent with securing their reserved rights effectively and demonstrating their commitment to the success of the company. CP (73) 15 also included detailed proposals for a non-executive Nuclear Power Advisory Board, representative of the major interests concerned, which would provide the Government with concerted advice on civil nuclear strategy.

Once satisfactory arrangements had been concluded with GEC on this basis, an early announcement of the Government's decisions should be made; and a high-level team, led by the Minister for Industry, should visit Europe and North America in order to obtain an up-to-date and authoritative assessment of nuclear capabilities abroad, which would assist the Government in formulating a strategy for international collaboration.

In discussion there was support in principle for the view that management of the proposed design and construction company should be invested in GEC; any adverse reaction by other firms in the industry should be discounted in the light of the very limited success which they themselves had had in developing nuclear power. But some concern was expressed that the proposed arrangement might allow GEC to pursue their own commercial advantage without adequate regard to the wider national interests. In this respect there
might be advantage in an arrangement under which the Government and GEC each held 40 per cent of the shares and GEC managed the new company on a fee basis. GEC would then be accountable to the partners in the company (who would include other private sector interests, although with restricted rights) and not to their own parent company alone; and this solution might command greater support in Parliament, in the industry as a whole and among the trade unions concerned. Moreover, the Government would enjoy greater freedom of action, since they would be able subsequently either to enlarge GEC's shareholding in order to give them control of the company, if that seemed desirable, or to retrieve it and to make a fresh start on a different basis. The Government's essential rights could be reserved by the possession of a single share; and there seemed no objection in law to a minority shareholder being given the right to demand the winding up of the company. Whatever the precise arrangements, however, GEC would insist on controlling the management of the company: and the Government's reserved rights should not be so exercised, in terms of excessive intervention in day to day administration, as to nullify this stipulation.

In further discussion it was agreed that it would be beneficial to the nuclear industry to be able to take advantage of GEC's marketing capacity. It was not certain, however, whether GEC, who were known to favour the American Westinghouse reactor system, would pay sufficient attention to the claims of alternative British designs, even though they would ultimately depend on the Central Electricity Generating Board (CEGB) for contracts and on the Government for most of their development funds, at least in the early years. There was, indeed, some cause for concern whether the connection between the new company's marketing function and the basic research which would continue to be conducted by the Atomic Energy Authority (AEA) had been satisfactorily worked out, particularly if GEC were to own a majority of the shares. This point, which was critical to the success of any new arrangement, needed further examination.

The Prime Minister, summing up the discussion, said that the Cabinet were inclined to agree in principle that the nuclear design and construction industry should be based on the private sector and that the leading role should be taken by GEC. But opinions were divided on the merits of this control being exercised through a majority shareholding or under a management contract. The Secretary of State for Trade and Industry should therefore circulate a further memorandum developing the merits of each option, defining the essential rights which the Government would need to reserve and describing the manner in which a satisfactory relationship should be established between GEC and the AEA. The Cabinet would also wish to give further consideration to the role and composition of the Nuclear Power Board and to the proposal that a high-level team should visit Europe and North America.

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The Cabinet—

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

SECRET
(2) Invited the Secretary of State for Trade and Industry to circulate detailed proposals for securing the essential interests of the Government in the proposed nuclear design and construction company, as indicated in the Prime Minister's summing up.

(3) Agreed to resume their discussion at an early date.

Cabinet Office,