CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
TUESDAY 23 OCTOBER 1973
at 10.30 am

PRESENT

The Rt Hon Edward Heath MP
Prime Minister

The Rt Hon Sir Alec Douglas-Home MP
Secretary of State for Foreign and
Commonwealth Affairs (Items 1, 3 and 4)

The Rt Hon Anthony Barber MP
Chancellor of the Exchequer

The Rt Hon James Prior MP
Lord President of the Council

The Rt Hon Geoffrey Rippon QC MP
Secretary of State for the Environment

The Rt Hon Gordon Campbell MP
Secretary of State for Scotland

The Rt Hon John Davies MP
Chancellor of the Duchy of Lancaster

The Rt Hon Maurice Macmillan MP
Secretary of State for Employment

The Rt Hon Lord Hailsham of St Marylebone
Lord Chancellor

The Rt Hon Lord Carrington
Secretary of State for Defence

The Rt Hon Sir Keith Joseph MP
Secretary of State for Social Services

The Rt Hon Margaret Thatcher MP
Secretary of State for Education and
Science

The Rt Hon Peter Walker MP
Secretary of State for Trade and Industry

The Rt Hon Peter Thomas QC MP
Secretary of State for Wales

The Rt Hon Sir Geoffrey Howe QC MP
Minister for Trade and Consumer Affairs

The Rt Hon Lord Windlesham
Lord Privy Seal
THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Patrick Jenkin MP
Chief Secretary, Treasury (Item 3)

The Rt Hon Francis Pym MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr H F T Smith
Mr F Benner
Mr I T Lawman
Mr H F Ellis-Rees
Mr J B W Robins

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1. THE FOREIGN AND COMMONWEALTH SECRETARY said that he had met the American Secretary of State the previous evening when Dr Kissinger stopped in London on his way back to Washington from his visits to Moscow and Tel Aviv. It seemed clear from their conversation that in concentrating their efforts on obtaining the ceasefire, the Russians and Americans had given little thought to the need to police it. If a ceasefire were achieved on the Syrian front there should not be great practical difficulty in maintaining it since the salient held by the Israelis was continuous. On the southern front, however, the position was very complicated, and the Egyptian forces to the east of the Suez Canal had lost their supply lines from the west. The ceasefire there must therefore be regarded as extremely fragile and he had urged upon Dr Kissinger the advisability of arranging with the United Nations Secretary General, Dr Waldheim, that the United Nations Truce Supervisory machinery should be strengthened and used immediately to police the ceasefire and help to deal with local difficulties. Dr Kissinger appeared not to favour convening a peace conference; it seemed that he and the Russian leaders hoped that the Arabs and Israelis would come together in direct negotiations, with the United States and the Soviet Union intervening as might be necessary to move the negotiations along. Dr Kissinger referred to the present mood on both sides, and was plainly aware that the task of launching negotiations would be difficult. Dr Kissinger showed some reticence on the subject of arms supplies from the Soviet Union and the United States, but gave the impression that they might have reached an informal understanding to observe restraint, and said that he expected to see a reduction in the flow of Russian arms in the near future. On the subject of oil supplies Dr Kissinger said that he was not prepared to be blackmailed by Arab pressures. He recognised, however, that Europe might suffer much more seriously than the United States and he was proposing to send what he described as a conciliatory message to the Arab oil producing States and to President Sadat of Egypt in which he would say that it would not help the Arab cause to inflict penalties on the European countries. He would also point out that without the benevolent engagement of the United States it would be impossible to reach a just solution of the Middle East problem.

THE PRIME MINISTER, summing up a brief discussion, said that we would need to consider putting further ideas to the American and Soviet Governments. It was essential that Dr Waldheim should be involved in the search for a solution. The United Nations Truce Supervisory machinery might well be the only immediate source of help in trying to preserve the ceasefire. There had already been some fighting and the dangers of conflict would remain, however much the Egyptians and Israelis might wish to avoid it, unless the troops could be repositioned. This in turn might depend upon the opening of negotiations.
The Cabinet -

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

2. The Cabinet had before them a note by the Lord President of the Council (CP(73) 107), to which was annexed a revised draft of The Queen's Speech on the Opening of Parliament.

The Cabinet considered the draft Speech paragraph by paragraph.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet approved the draft, subject to certain amendments which had been suggested in discussion and to further consideration being given to paragraphs 9 and 16. The former, on the Middle East situation, would need to be reviewed to take account of the latest situation which had arisen from the recent Security Council Resolution. The latter, on housing policy, should be reconsidered by the Lord President in consultation with the Chancellor of the Exchequer and the Secretary of State for the Environment. The Cabinet were agreed that the wording of this part of the Speech must not pre-empt the difficult decisions which would shortly have to be taken in relation to land and housing; but subject to this were anxious that the paragraph should be couched in as positive terms as possible. The Speech should be kept under review to ensure 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.
3. The Cabinet considered a memorandum by the Secretary of State for the Environment (CP(73) 106) outlining proposals for the distribution of the rate support grant to be introduced from 1 April 1974.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the level of rates levied in the coming year would be of the greatest importance to the Government, both in the context of their counter-inflationary policy and on wider political grounds. This would largely turn on the amount of rate support grant, on which he would soon be putting proposals to his colleagues in the light of discussions with the local authority associations. But it was first necessary to decide how the grant should be distributed on the reorganisation of local government, which would come into effect on 1 April 1974. The Ministerial Committee on Regional Policy and the Environment had considered his proposals for changes in two major respects: a new formula for calculating the needs element of grant that would recognise the problems of areas with more than the average number of schoolchildren, sparser population or heavier social needs; and a new resources element, at 25 per cent, which would increase the share of London and the new metropolitan areas, largely at the expense of areas with high resources. But as the strict application of this formula would mean that domestic ratepayers in some areas might face large increases in their rate bills, he proposed special arrangements (which would be open to review in a year's time, and could if appropriate then be progressively phased out) for increasing the domestic element of rate support grant in areas which would be particularly affected by the loss of resources element. Domestic ratepayers would also benefit from an increase in the level of statutory deductions and an extension of rate rebates to cover some three million of the poorest households. The appendices to his memorandum illustrated the effect of these changes, to which he now sought the Cabinet's approval.

In discussion a wide measure of concern was expressed about the broad political impact of these proposals. It was doubtless cause for regret that no new source of local government revenue had emerged from the consultation document on local government finance which had been published in 1971; but if rates must continue to form the basis of local authority income, it was most undesirable for a Conservative Administration to impose gratuitous financial burdens on domestic ratepayers in areas traditionally favourable to them in order to give local authorities elsewhere scope to indulge in an undesirably high level of expenditure. The dimensions of the problem were reflected in the loss of resources element that was proposed for many areas of the Midlands and South East; and in Wales the independent authorities would suffer, while the only gainers would be those opposed to the Government. Rates must in any case be expected to increase; and the present proposals seemed likely in
general to bear hardest on a section of society which had benefited least from inflationary wage increases. Many of the Government's supporters in Parliament and the country at large were already critical of the reorganisation of local government; and it might well be difficult to obtain a majority in Parliament for the proposals in their present form.

Moreover, if the total grant settlement were no larger than this year, even those local authorities who would gain under the new distribution would still find difficulty in meeting existing commitments. Indeed, the expenditure of local authorities had been mounting at an alarming rate, with serious consequences for future trends in public expenditure as a whole; and urgent measures would be needed to bring it under control. It might therefore be for consideration whether the existing pattern of grant should be left unchanged, and specific payments be made to areas of urban deprivation. As against this, it was argued that such a step would appear inconsistent with the Government's approach to giving greater independence to local authorities, and would in any case reveal still larger anomalies.

Against this background it was suggested that the Government's first concern must be to protect the domestic ratepayer. Under the rating revaluation which had taken place earlier in the year, the domestic ratepayer's share of the burden had increased against that of industry, and there were now valid arguments for redressing the balance. It was also open to question whether domestic ratepayers in areas which would stand to benefit from an increase in the resources element of grant should continue to enjoy the same level of domestic derating as at present. With these considerations in mind it might be possible to achieve a more flexible distribution.

THE PRIME MINISTER, summing up the discussion, said that serious concern had been expressed at the impact which the proposals must be expected to have both on ratepayers in areas traditionally favourable to the Government and on the levels of local authority expenditure generally. It might indeed be necessary to construct a completely new scheme. As a first step the Secretary of State should as a matter of urgency revise the proposed transitional arrangements in the light of the Cabinet's discussion, in order to provide greater and more flexible protection for domestic ratepayers without encouraging excessive expenditure by local authorities generally and in particular by those - many of them opposed to the Government's policies - which stood to gain from the proposed new distribution formula. The Cabinet would be considering the general question of the level of spending by local authorities in their forthcoming discussion of public expenditure; and the revised proposals about the distribution of rate support grant should be circulated to the Cabinet as soon as possible.
The Cabinet -

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

2. Invited the Secretary of State for the Environment, in consultation with the Chief Secretary, Treasury, to review the proposed transitional arrangements on the lines indicated in the Prime Minister's summing up and to circulate revised proposals as soon as possible.

3. Agreed to resume their consideration of this question at an early meeting.
4. THE SECRETARY OF STATE FOR SCOTLAND said that a
day meeting of firemen in Glasgow on 24 October might decide to
strike in support of a claim for a special allowance of £5 a week,
although the call for strike action, which was against the instructions
of the Executive of the Fire Brigades Union, seemed unlikely to
receive full support. There was a risk that the Firemaster would
be unable to maintain even the restricted service that was possible
under the present work-to-rule. The only practicable alternative
appeared to be to use Servicemen to provide basic fire cover in the
City. In the circumstances prevailing there could be no question of
conciliation by the Government, but in view of his statutory respon­
sibility for the fire service in Scotland he would be open to criticism
if he did not intervene before calling on the Services. He proposed
therefore to invite representatives of both sides to meet him so that
he could hear the facts of the situation at first hand, advise them to
have the matter considered in the National Joint Council and urge the
firemen not to put Glasgow at risk.

THE LORD PRESIDENT OF THE COUNCIL said that the Civil
Contingencies Unit had reviewed the situation. Although the number
of trained firemen, and the amount of fire-fighting equipment, in the
Services was limited, about 300 men could be made available with
equipment from Civil Defence sources. Although the Ministry of
Defence had undertaken preliminary planning, a minimum of 48 hours
would be required from the time when the use of Servicemen was
authorised before they could begin to operate in Glasgow, and a
further 48 hours before the full 300 would be available. Thus it
would not be possible to provide a service before 25 October even
if authority were given immediately. Moreover putting the men
concerned on notice would probably become public knowledge and
might exacerbate the situation before the firemen's mass meetings.
If, however, the decision to alert the Servicemen concerned was not
taken until the firemen's decision was known the Services would be
unable to start operating before 26 October at the earliest. There
was thus a risk that inadequate cover might be available for a period
if the strike had full and immediate effect.

THE PRIME MINISTER, summing up a brief discussion, said that the
Cabinet agreed that Servicemen should be used to maintain the
minimum necessary fire service in Glasgow if this could not be
achieved by other means. The Secretary of State for Scotland
should however consider whether there were other fire-fighting
services in Scotland, for example at large firms or at airfields,
which might be available to provide an emergency service. The
Secretary of State should also arrange to meet the Glasgow
Corporation and officials of the Fire Brigades Union immediately
after a decision to strike, and should emphasise the danger to life
and property. Adequate cover against fire must however be
provided in all circumstances and the Lord President should
therefore give further consideration to the contingency planning arrangements, given the need for Servicemen to be operational immediately a strike began. The Cabinet agreed that if necessary the Servicemen concerned, together with all necessary equipment, should move into the vicinity of Glasgow by the time of the mass meetings on the following day, or as soon as possible thereafter, though secrecy should be preserved to the extent that this proved practicable.

The Cabinet -

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

2. Invited the Secretary of State for Scotland -
   i. To endeavour to enlist the assistance of other civilian fire-fighting services, as appropriate.
   ii. To meet the Glasgow Corporation and the Fire Brigades Union, as indicated in the summing up.

3. Invited the Secretary of State for Defence to arrange for the Servicemen concerned to be deployed immediately so as to be ready to begin operating as soon as possible after the start of a strike.

4. Invited the Lord President of the Council to arrange for the contingency planning arrangements to be kept under close review.

Cabinet Office
23 October 1973