CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street on THURSDAY 8 NOVEMBER 1973 at 10.00 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

The Rt Hon Anthony Barber MP Chancellor of the Exchequer

The Rt Hon Lord Carrington Secretary of State for Defence

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 Sir Geoffrey Howe QC MP Minister for Trade and Consumer Affairs

The Rt Hon Lord Hailsham of St Marylebone Lord Chancellor

The Rt Hon William Whitelaw MP Secretary of State for Northern Ireland

The Rt Hon Robert Carr MP Secretary of State for the Home Department

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 Joseph Godber MP Minister of Agriculture, Fisheries and Food

The Rt Hon Lord Windlesham Lord Privy Seal
ALSO PRESENT

The Rt Hon Francis Pym MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr P D Nairne (Items 2, 3 and 4)
Mr H F T Smith (Items 1, 2 and 3)
Mr P Benner (Item 1)
Mr I T Lawman (Item 5)
Mr H F Ellis-Rees (Items 2 and 4)
Mr D Evans (Item 4)

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

2. The Cabinet resumed their consideration of the latest developments in the Middle East. Their discussion and the conclusions reached are recorded separately.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the prospects of reaching an agreement which would end the fisheries dispute were favourable. One problem remained, namely to reach agreement on our right to amend the list of trawlers which would fish off Iceland, so that replacements might be inserted for trawlers which for one reason or another had to be removed from the list. This matter might have to be covered in a separate and probably unpublished exchange of notes. The attitude of the Communist members of the Icelandic Government, and of their Party, should become known that day. If they decided to oppose the agreement this might have implications for the Icelandic Government's survival in its present form.

The Cabinet -

Took note of the statement by the Foreign and Commonwealth Secretary.
3. THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the most recent talks which he had held with the representatives of the Unionist Party, the Social Democratic and Labour Party (SDLP) and the Alliance Party, had gone reasonably well. The three Parties had agreed in principle that there should be a Council of Ireland and there was a measure of agreement on how the Council should work. Each Party had put forward a number of proposals in connection with the proposed Council, and they were now examining these proposals. It might prove necessary to persuade Mr Faulkner and his supporters in the Unionist Party that there should be a Consultative Assembly associated with the Council. The Unionist Party and the SDLP were still in disagreement on the question whether a tripartite conference, including the Irish Government, should precede or follow the formation of an Executive, and he was giving further consideration to the possibility of breaking this deadlock by arranging an informal exchange of views in which the Irish Government would participate. He expected difficulties when the talks were resumed in the following week since they would then have to discuss the number of places on the Executive to be filled by each of the three Parties. Later in the day he would be meeting the Irish Minister for External Affairs, Dr FitzGerald, and he would try to make Dr FitzGerald understand that Mr Faulkner had little room for making further concessions to the demands of the SDLP.

The Cabinet -

Took note of the statement by the Secretary of State for Northern Ireland.
4. THE CHANCELLOR OF THE DUCHY OF LANCASTER said that although the meetings of the Council of Ministers on 5 and 6 November had been dominated by the Middle East question the Council had been able to consider other normal business. The Development Co-operation Ministers meeting on 5 November had discussed Community policy towards development aid but had failed to reach agreement. The Council of Foreign Ministers meeting on 6 November had discussed the generalised system of preferences (GSP) for the Community to apply in 1974. Agreement had been reached on a package of items which was broadly satisfactory to us subject to further discussion at official level of the detailed arrangements on foodstuffs. There was also discussion of a Community offer of concessions for negotiations under Article XXIV(6) of the GATT. Although there was not final agreement on the content of the offer a position was reached which was tenable in terms of the Community's relations with the USA.

The Cabinet -

Took note with approval of the statement by the Chancellor of the Duchy of Lancaster.
5. THE CHANCELLOR OF THE EXCHEQUER said that the Ministerial Committee on Counter-Inflationary Measures had that morning considered the new national agreement on the pay and hours of firemen reached at a meeting of the National Joint Council (NJC) for Local Authorities' Fire Brigades on 2 November. There were two main aspects of the agreement. The first was an immediate pay increase which would give firemen up to an additional £8 a week, or about 18 per cent. It would be for the Pay Board to decide whether the proposed increase was within the terms of the Stage 3 Pay Code. The second involved a reduction in the working week of firemen from 56 hours to 48 hours from 11 November 1974, without loss of earnings, but in return for agreement by the men to make more effective use of their working hours. This could be worth an additional 14 to 17 per cent, excluding the possible savings from greater efficiency and productivity. Although the effective date of the reduction of hours was more than 12 months hence, this part of the agreement was almost certainly outwith the Stage 3 Pay Code. If the Government refused to endorse it there would almost certainly be a national strike of firemen; on the other hand counter-inflation policy as a whole might be undermined if the Government appeared to give way, in the first major dispute under Stage 3, to militant pressure. The Committee had been unable to reach agreement on the attitude which the Home Secretary should adopt on this point when he and the Secretary of State for Scotland met the NJC on the following day.

In discussion it was argued that firemen's hours of work had long been a matter of contention, and they attached considerable importance to the implementation of the Cunningham Report's recommendation that hours should be reduced from 56 to 48 to coincide with the local government re-organisation on 1 April 1974. The NJC had already agreed that the concession should be deferred by 7 months, which would take it outside the foreseen period of Stage 3; but for the agreement to come into effect in November 1974 the preparations, taking the form of additional training, the re-manning of some services and the closure of some fire stations, which would require Home Office approval, would need to begin very shortly. It was therefore important that the Government should be able, as a minimum, to announce that, without anticipating the provisions of any legislation on pay that might be enforced in November 1974, they would work with the fire authorities to ensure that urgent consideration was given to the practical steps required to enable fire brigades in Great Britain to work a 48 hour week from that date. A statement along these lines might not be sufficient to satisfy the firemen, but, if it did not, the Government would then be in a better position to counter public criticism. If it was not possible to go this far in the statement the men would have no assurance of when the recommended
reduction in hours might take effect, and it was almost certain that the leaders of the Fire Brigades Union, who had adopted a responsible attitude during the strike in Glasgow, would be unable to dissuade their members from a national strike. If this occurred the Union would be likely to have public sympathy on their side and the experience in Glasgow had shown that, although the Servicemen had provided a good service, the Ministry of Defence would be quite unable to provide enough men to replace the fire services in all the major cities. In these circumstances there seemed no point in the Government's provoking a confrontation with the firemen which it could not hope to win.

On the other hand, it was argued that the firemen were not in fact seeking a reduction in hours but to be paid at a higher rate for the same number of hours actual work, receiving for 48 hours the same pay as they at present received for 56, the other 8 hours then being paid for at higher overtime rates. The commitment to a reduction in hours was in conflict with paragraph 175 of the Pay Code, and it in any case seemed very unlikely that the pay policy in force in November 1974 would make provision for such a reduction, other than by counting the cost as part of the next pay settlement. And the argument that special consideration should be given to the fire services because of shortages of staff was one which could well be used by many other employees to breach the code. Thus, whilst it was right that the Government should express sympathy with the objective of a reduction of hours in accordance with the Cunningham Report recommendation, there should be no commitment to implementing it in November 1974. Whatever the precise wording used to convey such a commitment, it would be interpreted by public opinion as a surrender to the militancy shown by the Glasgow and London firemen and would therefore be regarded as a test case by the miners, the Electrical Power Engineers Association and the Post Office workers in support of their own efforts to improve their pay and conditions of service beyond the Pay Code. Indeed, in the debate in the House of Commons on the previous day the NJC agreement was being hailed as a victory for the Glasgow firemen, who were expecting, in addition to the increases under the national agreement and the reduction in hours, to retain the £2.48 offered to them by the Glasgow Corporation. The Government's supporters were already expressing concern about the dangers to the pay and prices policy. One possible compromise might be to refer to the objective of making progress towards the working of a 48 hour week by November 1974.
THE PRIME MINISTER, summing up the discussion, said that the Cabinet would resume their consideration of the firemen's pay agreement later that day. The Home Secretary and the Secretary of State for Employment should, in the meantime, consider the matter further in the light of the discussion, and should endeavour to put before the Cabinet an agreed statement of the Government's position.

The Cabinet -

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

2. Invited the Home Secretary and the Secretary of State for Employment to prepare an agreed statement of the Government's position on firemen's pay for consideration later that day.

THE SECRETARY OF STATE FOR EMPLOYMENT said that he had now met the Chairman of the Pay Board to urge on him the need for early completion of the Board's report on London allowances. The Chairman had agreed to produce the report as quickly as he could, but it was clear that the Board would take some time over the study; and they were unwilling to forecast the outcome. Although it could be argued that improvements in London allowances should be concentrated on workers in the public services rather than making them generally available thus adding to the economic pressures in the metropolis, this would be difficult to arrange particularly since many of the workers in these services lived outside the areas where the staff shortages existed.

THE SECRETARY OF STATE FOR EMPLOYMENT said that, at the meeting between the National Coal Board (NCB) and the National Union of Mineworkers (NUM) earlier that week, the NCB had offered minimal increases in the basic rates, and improvements in holiday pay and the proposed productivity arrangements. The President of the NUM was seeking to arrange further meetings with the NCB after the NUM Executive Committee had met that day. The hope was that the moderate elements would prevail and that the Executive would conclude that they would be able to extract a more favourable settlement under the threat of an overtime ban than by actually imposing such a ban. The
question of a commitment to a third week's holiday, when the Pay Code permitted, had also been raised again. If the Executive decided to impose the overtime ban this would increase the militancy within the NUM and lessen the chances of a decision against strike action in a national ballot.

The Secretary of State for Employment said that the selective ban on standby duties by the Electrical Power Engineers Association was continuing; and there seemed little prospect of a settlement of the dispute before the meeting of the Joint Negotiating Board on 20 November, when the annual pay claim by the engineers was due to be discussed. The Electricity Council hoped that this would provide an opportunity for a compromise settlement of the dispute.

The Secretary of State for Employment said that the electricians' dispute at Chryslers had been ended on the terms recommended by the independent enquiry, the Pay Board having agreed that the recommendation that the electricians be given staff status should be implemented in full. Although there was a risk that this might create difficulty in other groups of skilled car workers the company did not expect this to happen. Production at Vauxhall Motors, Ellesmere Port plant, where the mass meeting of strikers had been postponed until Saturday, was still at a standstill.

The Cabinet -

3. Took note of the statements by the Secretary of State for Employment.
THE FOREIGN AND COMMONWEALTH SECRETARY said that preliminary reports on the discussions which had taken place in Cairo the previous day between President Sadat of Egypt and the American Secretary of State, Dr Kissinger, indicated that they had agreed to seek an arrangement under which the road to the Egyptian Third Army would be opened under the supervision of United Nations observers; an exchange of prisoners would take place; and within 10 to 15 days a peace conference would begin. Dr Kissinger's adviser, Mr Sisco, had taken the proposals to Israel. Dr Kissinger appeared to think that the Prime Minister of Israel, Mrs Meir, would accept them, despite the fact that during her recent visit to Washington she had been obdurate and no progress had been made with her. It was intended that the peace conference should be attended by the Secretary General of the United Nations, Dr Waldheim, the contestants, and the United States and the Soviet Union. We had learnt from the Egyptians that they would prefer a somewhat larger conference since they did not wish to have the Soviet Union as their only adviser. It would not be advisable, however, for us and the French to attempt at present to take part in the conference, although this possibility might arise at a later stage. American supplies of war material to the Israelis, and Russian supplies to the Egyptians, had fallen to a relatively low level. By this time the equipment lost by both sides had probably been replaced. Neither side was asking us to resume supplies.

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that the meeting of the Council of Ministers of the European Economic Community (EEC) which had been held in Brussels earlier in the week had been dominated by consideration of the Arab/Israel dispute and its repercussions on Europe's supplies of oil. The statement by the Foreign Ministers of the Nine, despite its critical and indeed perverse reception by the media, represented a considerable achievement in Community solidarity as well as a helpful contribution to the search for a settlement in the Middle East. The United Kingdom and France now had a firm Community
position on which to base their efforts to persuade the Arab states
to moderate their embargo on oil supplies to Holland. Although no
signs had yet appeared of serious shortages of oil developing in
Europe, the position was extremely uncertain. Of the supply of
oil normally reaching Holland, half was destined for re-export to
West Germany and Belgium; and the Governments of these two
countries were much concerned at the possibility that if the
interuption to Holland's supplies persisted, public opinion might
compel the Dutch Government to ban exports. But it appeared
that the point of crisis might not be reached for about 10 days;
and the Council of Ministers had agreed to take no decision this
week on any proposal to share supplies.

In discussion it was suggested that although renewed consideration
should perhaps now be given to the sharing arrangements under
the Organisation for Economic Co-operation and Development, the
Dutch Government had conceded privately that any attempt by their
EEC partners to divert supplies of crude oil to Rotterdam in
defiance of the Arab embargo would be very dangerous; but for the
time being it would be advisable not to try and stop the normal flow
of oil products between members of the Community. The
opportunity should not however be lost of turning the Community's
solidarity on this issue to advantage by remonstrating with the
Arab states about the political use of the oil weapon against Europe.
It had been reported that the producer states had been surprised
and gratified by the lack of any concerted response from consumer
governments to the recent price increases, and they should not be
left to assume that their action would go unchallenged. On the
other hand, it was remarked that both the Iranian and the Saudi
Arabian Governments had made it clear in reply to our own
representations that they saw these developments against a history
of exploitation of their resources by the Western nations. Although
the position now reached by the EEC provided a sound basis on
which to develop a common approach to the oil producers, the
process must take time. Nor should it be forgotten that at least
until the early 1980's, when supplies of oil from the North Sea
might make us largely self sufficient, we like the rest of Europe
would continue to depend overwhelmingly on the Middle East; the
capacity of practically every major producer was fully stretched
to meet current demands; and the Arab states were in a position
not merely to inconvenience us by compelling us to ration petrol
and allocate supplies, but to paralyse industry, cause widespread
damage to our economy and massive unemployment.

Against this background it was recognised that the extent of our
dependence on supplies of oil from the Arab nations raised
difficult questions for the public presentation of the Government's
policies. Widespread credence was being given to a version of
events which suggested that the Government had succumbed to
blackmail from the Arab oil producers to adopt an ignoble attitude with regard to the Arab/Israel dispute, taking little account of public sympathy for Israel and concern for her survival. The media, which appeared to be excessively open to Israeli influence, put only one side of the case and ignored the Government's consistent endeavours, first expressed in the Foreign and Commonwealth Secretary's speech at Harrogate in October 1970, to persuade the Government of Israel that there could be no lasting settlement in the Middle East while they sought to protect their own frontiers by holding Arab territories through force of arms. But the Government had never advocated Israel's unconditional withdrawal from these territories without any guarantee of Israel's security. It was suggested that the Government's attitude to this question was not fully appreciated either by the Jewish community in this country or by public opinion at large; no effort should be spared to make it understood; and for this purpose it would be valuable for members of the Cabinet to be fully briefed on the issues, the facts and the considerations underlying the Government's policy. It was further represented that although the essential interests of Israel's security must be supported, and her position as the victim of unrelenting Arab hostility and repeated attacks since her foundation must command a degree of sympathy, to support on that account every act of Israeli aggrandisement, or accept uncritically their view of the situation, would do little good to their essential interests or our own. It was much in their interests that there should be Western nations which could bring influence to bear on the Arabs. There was however a large and active lobby at work in this country to further the Israeli cause; and it was difficult for a balanced viewpoint to get a hearing. It was important that the Jewish community and others should appreciate that public sympathy for Israel would evaporate rapidly if intransigence on her part towards a peace settlement were to bring, through disruption of our oil supplies, serious damage to our own economy.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet took note of the latest developments in the Middle East, as well as the outcome of the meeting of the Council of Ministers of the EEC. Close watch was being maintained on our oil supplies, and the Ministerial Committee on Economic Strategy would be reviewing the position later that day. The intentions of the Arab producers were being ascertained, and there was close contact with the oil companies. Contingency preparations to restrict consumption of oil in this country were almost complete; petrol rationing could be introduced at three weeks' notice if necessary, and allocation could be made within a few days. On the wider issues raised in the Cabinet's discussion, concern had been expressed that the Government's position, which had been maintained consistently since 1970, was widely misunderstood and misrepresented. His colleagues would wish to use every
opportunity available to promote wider public appreciation of the Government’s policy and the considerations which underlay it. To this end it would be helpful if the Foreign and Commonwealth Secretary would circulate a note setting out the facts in detail and indicating for his colleagues the line that might be taken in public discussion. The note should also give guidance on our own policy on arms supplies and on criticism that we had denied facilities to the United States in pursuance of their support for Israel. The Secretary of State for Trade and Industry should also circulate a note on the position with regard to oil supplies, bringing out the extent of our dependence on Arab oil, the assurances we had received, and the precautionary measures in hand both in this country and among other consumer countries.

The Cabinet -

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

2. Invited -

i. the Secretary of State for Foreign and Commonwealth Affairs to circulate for their information a note of the Government’s policy towards the Arab/Israel dispute;

ii. the Secretary of State for Trade and Industry to circulate a note about the position of oil supplies, as indicated in the summing up.

Cabinet Office

8 November 1973