CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 13 DECEMBER 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

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
Paymaster General

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 Employment

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 Francis Pym MP
Secretary of State for Northern Ireland

The Rt Hon Joseph Godber MP
Minister of Agriculture, Fisheries and Food

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

The Rt Hon Sir John Eden MP
Minister of Posts and
Telecommunications (Item 4)

The Rt Hon Humphrey Atkins MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr P D Nairne (Items 2 and 3)
Mr H F T Smith (Items 1-3)
Mr P Benner (Item 1)
Mr J A Hamilton (Items 4-6)
Mr J Anson (Items 4-6)
Mr D Evans (Items 2 and 3)

CONTENTS

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>PARLIAMENTARY AFFAIRS</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>FOREIGN AFFAIRS</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>North Atlantic Treaty Organisation</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Middle East</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Mr Hawksworth</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Northern Ireland</td>
<td>3</td>
</tr>
<tr>
<td>3.</td>
<td>EUROPEAN COMMUNITY AFFAIRS</td>
<td>4</td>
</tr>
<tr>
<td>4.</td>
<td>INDUSTRIAL AFFAIRS</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Current Industrial Disputes</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Eligibility for Unemployment Benefit</td>
<td>6</td>
</tr>
<tr>
<td>5.</td>
<td>FUEL RESTRICTIONS</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Domestic Space Heating</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Places of Entertainment</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Petrol and Diesel Fuel</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Television Programme Hours</td>
<td>9</td>
</tr>
<tr>
<td>6.</td>
<td>THE ECONOMIC SITUATION</td>
<td>9</td>
</tr>
</tbody>
</table>
1. The Cabinet were informed of the business to be taken in the House of Commons during the following week.

The Cabinet were informed that no public indication had so far been given of the likely date of the House of Commons return after the Christmas Recess. 22 January had originally been intended, but this would now be inappropriate having regard to the serious economic situation and to the likely need for Parliament to be called upon to approve Regulations made under the Emergency Powers Act 1920 following a renewal of the present state of emergency, which would otherwise lapse on 11 January 1974. It was therefore proposed to announce that the Motion for the adjournment would provide for the return of the House on 15 January, but with the proviso that arrangements would be made for earlier recall should circumstances warrant it.

The Cabinet agreed that it would be inappropriate and would in present circumstances be misunderstood by the public and by many Government supporters in Parliament if the debate on the conduct of the Lord Chancellor took place on 17 December, as proposed by the Opposition.

The week's business should if possible be rearranged so as to enable the Opposition Motion to be debated on 20 December, subsequent to the debate on the economic and energy situation and to any statement made by the Chancellor of the Exchequer. But it was undesirable that such a rearrangement should result in more time being available for the debate on the Prayer to annul the Import Duties (General) (No. 8) Order, which might then develop into a general attack on our membership of the European Economic Community.
2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the meeting of the North Atlantic Council on 10th and 11th December had ended well. The meetings opened against a background of European discontent with the failure of the United States Government to engage in proper consultation on matters affecting European interests, and of American dislike at the way in which the European Community conducted its relations with the United States. The American Secretary of State, Dr Kissinger, had expressed American concern but had gone on to reaffirm the importance which the United States attached to the Alliance and to repeat President Nixon's pledges of continuing support for it. There had been sharp exchanges between Dr Kissinger and the French Foreign Minister, M Jobert, but they had agreed to sink their differences and the meetings ended on a note of harmony.

THE FOREIGN AND COMMONWEALTH SECRETARY said that in private discussion with him, Dr Kissinger had expressed confidence that the Middle East peace conference would open on 18 December and that it would be attended by Egypt, Jordan, Syria, and Israel, together with the United States and the Soviet Union and the Secretary General of the United Nations, Dr Waldheim. Israel would find it difficult to sit at the conference table with Syria because the Government of Israel were convinced that a number of Israeli prisoners of war had been killed by the Syrians. Dr Kissinger thought however that Israel would agree meetings in plenary session, although it might not be possible to hold separate meetings of small negotiating groups until after the Israeli elections at the end of December. Dr Kissinger hoped that Dr Waldheim would preside over the meetings and believed that this could be arranged, although the Russians were still pressing for the chairmanship to be held jointly by themselves and the Americans. Dr Kissinger had said that he was convinced that Israel would have to withdraw from the occupied territories. It would be hard to persuade them to accept this and his discussions with the Prime Minister of Israel, Mrs Meir, had been extremely difficult; but he was sure that they would have to come to it in the end. There would also have to be provision for demilitarised zones and international policing. His first objective, however, would be to secure the disengagement of the opposing armies. A return to the lines on which the armies stood at the time of the cease-fire on 22 October was not relevant and would not be sufficient. What was needed was a clear and substantial disengagement which would enable the United Nations troops to establish themselves between the opposing forces. Dr Kissinger thought that if this could be achieved the Arabs might take it as the occasion for lifting their oil embargo. The Foreign and Commonwealth Secretary doubted whether this would be so.
In a speech which Dr Kissinger had made the previous evening he had proposed that the European countries, the United States and Japan should establish an action group to develop a programme of collaboration to solve the energy problem. The oil producing countries should be invited to take part in this work. The Foreign and Commonwealth Secretary thought that if it was decided at the Community Summit, to be held on 14 and 15 December, that the Community should take an initiative with the Arab countries, the way should be left open for the United States and Japan to join in, and the Community should invite them to do so.

THE FOREIGN AND COMMONWEALTH SECRETARY said that we had learnt that Mr Gerald Hawksworth, a British subject employed by the Rhodesian Government, who had been captured by members of the Zimbabwe African National Union in January, was being held in a Tanzanian prison. He had arranged for the President of Tanzania, Dr Nyerere, to be approached in confidence with a view to Mr Hawksworth's release. Dr Nyerere had said that he had known nothing of this matter and had ordered the immediate release of Mr Hawksworth, who was now back in this country.

The Cabinet -

1. Took note of the statements by the Foreign and Commonwealth Secretary.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that although the agreement reached at the tripartite meetings held at Sunningdale from 6-9 December had been criticised by extremists in Northern Ireland, extremist reaction had been relatively subdued. He intended in the course of the next week to make a number of speeches in various parts of Northern Ireland, in which he would explain the agreements and commend them to the public. The general situation was relatively calm and in accordance with the indications he had already given, he would be releasing a number of selected detainees before Christmas.

The Cabinet -

2. Took note of the statement by the Secretary of State for Northern Ireland.
3. THE CHANCELLOR OF THE DUCHY OF LANCASTER said that important meetings of the Council of Ministers (Foreign Affairs) and the Council of Ministers (Finance) would take place on 17–18 December. The most important issue for the United Kingdom would be the decision on a Regional Development Fund (RDF) and it was expected that this would also be discussed at the European Summit Meeting in Copenhagen on 14–15 December. The French Minister responsible for Regional Development, M Guichard, had visited London and a formula had been agreed which appeared to offer reasonable prospects for a satisfactory outcome.

The meeting of the Council of Ministers (Agriculture) on 10–11 December had considered further proposals for a review of the Common Agricultural Policy (CAP). The meeting of the Budget Council on 10 December had considered proposals for improved financial control in Community expenditure and this work was progressing satisfactorily.

The Cabinet -

Took note with approval of the statement by the Chancellor of the Duchy of Lancaster.
4. THE SECRETARY OF STATE FOR EMPLOYMENT said that the Executive of the National Union of Mineworkers was meeting that day; they were likely to vote in favour of a continuation of the overtime ban and against a ballot. The industrial action taken by the Associated Society of Locomotive Engineers and Firemen (ASLEF) had produced the expected results: commuter services into London were seriously affected but so far there was no great disruption of services elsewhere in the country. Militant members of ASLEF were known to be examining means for disrupting the transport of oil and fuel supplies but as yet with no significant success. There were still difficulties with ambulance drivers, though a number of agreements had been concluded with individual local authorities. On the brighter side, the National Union of Public Employees had accepted an offer for National Health Service employees within the terms of Stage 3 and there was a good chance that the other unions concerned would do likewise. The Transport and General Workers' Union had accepted, subject to endorsement by their members, a Stage 3 offer to London busmen. The ban on out-of-hours working by the Electrical Power Engineers' Association (EPEA) continued. A slightly better offer might be forthcoming from the Pay Board's examination of the EPEA case. He would be seeing the Electricity Council that afternoon to tell them about the Pay Board decision and to ask them to make a fresh offer to the EPEA. He would then see Mr Lyons of the EPEA the following day and urge him to settle for this new offer. The most serious new problem for the immediate future was likely to arise from the pay claim being put forward by the Amalgamated Union of Engineering and Foundry Workers. The national problems arising from the energy crisis appeared so far to have had very little influence on the attitude of the trade union movement as a whole but there were signs that individual unions were beginning to get worried about the prospect of a rise in unemployment.

THE PRIME MINISTER, summing up a brief discussion, said that although the industrial situation remained extremely difficult, the fact that so far about 350 settlements had been registered within the terms of Stage 3 gave some encouragement for the prospect that in time even the most difficult trade unions might be brought to see the good sense in the Government's pay and prices policy.
Eligibility for Unemployment Benefit

The Secretary of State for Social Services said that he had examined the rules covering the payment of unemployment benefit in the light of the prospect that industry would shortly be obliged to restrict production to a 3-day working week. Apart from those workpeople covered by a guaranteed pay agreement, employees could, after a waiting period of 3 days, claim the basic rate of unemployment benefit for any two days suspension in a working week. Moreover, these days could be accumulated. These arrangements could be changed by Order but, in his view, it would be highly provocative to do this at the present time.

The Prime Minister, summing up a brief discussion, said that although there could be no question of changing the rules relating to unemployment benefit immediately, the matter required further examination. In the meantime, the Secretary of State for Social Services should provide a list of answers to any supplementary questions that might arise from the statement to Parliament that day.

The Cabinet -

Took note, with approval, of the summing up of their discussion by the Prime Minister.
5. The Cabinet resumed their discussion of restrictions to conserve fuel supplies.

THE LORD PRESIDENT said that in order to reduce the demand for electricity it had been proposed to prohibit by Order the use of electricity for space heating in the home except in one room. This would however be harsh, and in practice unenforceable. Neither the police nor the staff of the electricity boards would be satisfactory agents for its enforcement. A number of people would seek deliberately to flout the regulation. It would seem better to start on a voluntary basis, using a massive advertising campaign warning people that if the results of the voluntary restrictions were not satisfactory, they would face much more severe and much less palatable cuts.

In discussion, it was pointed out that the saving in domestic heating represented almost 50 per cent of the total saving that was being sought. Experience with the voluntary 50 mile per hour limit suggested that although a number of people would be public spirited enough to observe the restriction, many would not. This would not only mean failure to achieve the required 20 per cent saving, it would also give rise to irritation amongst those members of the public who had co-operated. Moreover, there were a number of other regulations in existence that could not be enforced, such as, for example, the regulations restricting the storage of petrol in homes. On the other hand, it was argued that it was undesirable in principle to make laws that could not be enforced, since this brought other laws into disrepute.

In further discussion it was pointed out that should the voluntary scheme fail to work, and if the ban on out-of-hours working by the Electrical Power Engineers Association were lifted, then it would be possible to apply a well-controlled system of rota cuts which would be preferable to the present proposal for an Order on domestic heating.

THE PRIME MINISTER, summing up this part of the discussion, said that for the time being we should rely upon a voluntary campaign for restriction of domestic heating. The Lord Privy Seal should make immediate arrangements for television announcements to emphasise the need for voluntary restriction and the risk of more severe cuts if it were unsuccessful.
THE LORD PRESIDENT OF THE COUNCIL said that action was being taken to ban the use of generators for supplying electricity for floodlights at football grounds except by special licence. A decision was however required on whether any new restrictions on the use of electricity should apply to places of entertainment.

THE PRIME MINISTER, summing up a brief discussion, said that the restrictions should not generally be applied to places of entertainment, but that the exemption of swimming pools should be re-examined.

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY, reporting on the supplies of petroleum spirit and diesel fuel said that, for the first time during December, there had been an increase in stocks of petrol. The present stock was 63 days for petrol and 70 days for diesel fuel. Major road haulage contractors were now using their own stocks of diesel fuel and this should help to reduce the difficulties that had arisen during the past week at filling stations. He and the Secretary of State for the Environment were examining the whole question of the supply of diesel fuel. He considered that with the advent of a 3 day working week, there should be little problem in maintaining adequate supplies. He was proposing to set in hand soon the application scheme for a supplementary petrol ration.

In discussion, it was argued that Parliament, having heard the Prime Minister's statement on electricity restrictions, would find it difficult to understand why petrol rationing should not be introduced immediately. Against this, it could be argued that stocks had been maintained as a result of the cuts imposed so far and the co-operation of the motoring public; and that, provided this state of affairs continued, there was no need to contemplate petrol rationing at the present time. There was a risk that any announcement seeking applications for supplementary petrol rations would give rise to fears that rationing was imminent and hence to local shortages. However, the risk could be minimised by treating the whole process in a discreet and gradual manner.

THE PRIME MINISTER, summing up a brief discussion, said that arrangements could proceed for inviting applications for supplementary petrol and diesel oil allocations. The announcements should however be carefully worded so as not to give rise to misapprehensions that rationing was imminent.
Television Programme Hours

THE LORD PRIVY SEAL said that arrangements were now being made with the British Broadcasting Corporation (BBC) and the Independent Broadcasting Authority (IBA) for television broadcasting to cease at 10.30 pm except on Saturdays when the close down would be at 11.00 pm. It was however possible that the Saturday programmes could also end at 10.30 pm if certain contractual difficulties could be overcome. There would also be restrictions on morning programmes. Special arrangements would be made for the Christmas holiday and New Year’s Eve.

THE PRIME MINISTER, summing up a brief discussion, said that the BBC and the IBA should be asked to close down their television transmissions at 10.30 pm on all days, including Saturdays, except over the Christmas holiday and New Year’s Eve.

The Cabinet -

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

THE ECONOMIC SITUATION

6. The Cabinet resumed their consideration of the economic situation. Their discussion and the conclusions reached are recorded separately.

Cabinet Office

13 December 1973
CABINET

CONFIDENTIAL ANNEX

CM(73) 61st Conclusions, Minute 6
Thursday 13 December 1973 at 10.30 am

ECONOMIC SITUATION

Previous Reference: CM(73) 60th Conclusions

The Cabinet considered a memorandum by the Chancellor of the Exchequer (CP(73) 139) about measures to be taken with regard to public expenditure and energy prices in the light of the changed economic situation.

The Chancellor of the Exchequer said that he had outlined the proposals in CP(73) 139 to the Cabinet at their meeting the previous day. He proposed that, with the exception of investment in the energy industries and in housing, there should be reductions in 1974-75 of 20 per cent on capital programmes and 10 per cent on procurement. In the light of the discussion the previous day, he had asked Treasury officials to get in touch with Departments about the implications of these reductions for individual programmes. As it might not be possible to arrange a further collective discussion by the Cabinet before an announcement was made, he hoped that the Cabinet would give him discretion to settle any points of difficulty, in consultation with the Prime Minister as necessary, on the basis that reductions of at least £1,000 million must be found. Within the reductions for each Department, Ministers would have as much flexibility as possible to determine their own priorities, although as a general principle he hoped that priority would be given to the saving of energy and to the freeing of resources for export. It was also for consideration whether certain large projects should suffer some reduction. A limitation in the production of Concorde required prior consultation with the French Government, which could not be done in time for an early announcement, but it was for consideration whether Maplin airport should be further deferred. He also proposed that certain energy prices should be increased to the maximum permitted under the Pay and Price Code. This might be associated with some offsetting increase in supplementary benefit.
At the Cabinet discussion the previous day, the feeling had been expressed that his proposal for a total reduction in demand of £1,500 million was insufficient. He would continue to examine, in the light of the views expressed by the Cabinet, what other measures might be associated with the public expenditure reductions in order to produce a balanced package. But in view of the present uncertainties about the economic prospects he did not favour attempting to take more demand out of the economy now than the £1,500 million suggested in CP(73) 139.

In discussion, it was argued that there might still be advantage in seeking a larger reduction in demand at this stage, and thus minimising the risk of needing to take further major measures later on. The measures taken must be sufficient to prevent a further fall in the value of the pound, and it might be desirable to obtain some room for manoeuvre in case it proved necessary, for example, to subsidise food. The present moment was the most favourable time for gaining public acceptance of drastic measures. On the other hand, there were big uncertainties about the reduction in oil supplies, which might be less severe than at present anticipated. Even if the supply position improved, the effect of the increase in oil prices would still remain, but this affected all industrialised countries; and if all such countries were to deal with the problem by restrictive measures there was a risk of a general recession. In our own case, the deficit due to the increased oil prices came on top of a large underlying deficit, and corrective measures were clearly needed. But if the reduction in demand was so drastic as to undermine confidence of British industry, this could also undermine confidence in sterling. There would be advantage in including some other measures in the package for presentational reasons, even if they did not make a large reduction in demand. But it seemed preferable at this stage not to reduce demand further than the Chancellor of the Exchequer was proposing.

In further discussion, it was argued that the proposed reduction in capital expenditure by the nationalised industries would be harmful to future expansion. In spite of the importance of energy, investment in the steel industry might be more important than in the gas industry. Rather than cut such essential investment, it might be preferable to increase indirect taxation, or to increase energy prices faster than the Code would at present allow. On the other hand, some reduction in capital commitments was a reasonable reaction to an emergency situation. The investment programme in the steel industry was aimed at cutting costs more than at increasing capacity. The measures that were taken must be compatible with the maintenance of Stage 3, since if Stage 3 failed the economic and industrial prospects would become very much worse. There was a good case, in present
circumstances, for increasing energy prices to the extent permitted by the Code, provided that additional payments were made as proposed to recipients of supplementary benefit. But it was not realistic to expect that Stage 3 could be held if the Code were amended to permit a still faster increase, or if the Government were to add increases in indirect taxation or in direct taxes on the lower incomes. Some increase in taxation on higher incomes might however be desirable.

In discussion of the proposed reductions in public expenditure, it was suggested that while reductions of the order proposed appeared necessary, some modifications might need to be discussed between the Ministers concerned and the Treasury in order to deal with points of particular difficulty. Some exceptions might have to be made, for example, to avoid a reduction in the purchase of food and medicines for hospitals, and to enable the infrastructure programme for North Sea Oil to continue. It was important, however, that such modifications should only be marginal if the reductions in other programmes were to be defensible. It would also seem undesirable to incur additional expenditure on compensation for breach of contract, or to stop work on half-completed capital projects. Any such cases would need to be considered individually. It should generally be possible, however, to find the necessary savings by a combination of deferring new contracts and the shortfall due to shortages in steel and other materials. The effect on individual programmes would be very severe, and if the economic prospects improved, consideration should be given to restoring some of the reductions.

In further discussion the following points were made -

a. It would be necessary to discuss the reductions in local government expenditure with the local authority associations. The associations might seek some concessions, for example on the personal social services, and it would be helpful to have some room for manoeuvre. However, no cuts were proposed in staff numbers, and all but £100 million of the reductions falling on local authorities were enforceable by central government. It would be essential in any announcement about the expenditure reductions to give firm figures if the announcement was to have the required effect on confidence.

b. The bulk of the United Kingdom's exports were achieved by relatively few firms. There would be advantage in arranging discussions with them and the agencies responsible for the main public sector programme, to ensure that where an export order might otherwise be frustrated, public sector orders would be deferred in order to allow it to have priority.
c. The proposed reductions in defence procurement could not be achieved without reducing orders placed in development areas, eg for ships.

d. Questions would be asked about the effect of the reductions on certain major projects. The Channel Tunnel had now been settled, and a limitation of the Concorde programme could not be imposed without prior consultation with the French. On Maplin airport, a report had already been promised, and there would be advantage in saying that the situation would be reviewed when the report was produced. There was some scope for administrative delay in implementing the project, and in the associated move of the Proof and Experimental Establishment from Shoeburyness.

e. Empty office blocks remained a serious irritant of public opinion. The Government had already announced proposals for dealing with the problem, but nothing had been done. A new proposal was now under consideration which would enable such offices to be compulsorily purchased, with the purchase money calculated on a cost plus basis, if they had remained empty for at least 2 years. This would be a stronger measure than the original suggestion of compulsory management, but there was some doubt about how quickly the necessary legislation could be passed. It was essential that, in one way or another, action should be taken urgently to deal with the matter.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the Chancellor of the Exchequer should announce, on 17 December, measures to reduce public expenditure and increase energy prices on the lines proposed in CP(73) 139. Ministers with particular points of difficulty on the proposed expenditure reductions should discuss these with the Chancellor of the Exchequer as soon as possible. The Cabinet agreed that the Chancellor of the Exchequer should have discretion to settle these points provided that reductions of not less than £1,000 million were secured. Any cases which would involve compensation for breach of contract or stoppage of work already in progress should be considered individually by the Chancellor of the Exchequer. The Chancellor of the Exchequer should consider in the light of the Cabinet discussion at this and the previous meeting what other measures he should announce on 17 December to deal with the economic situation. The Secretary of State for the Environment should discuss urgently with the Chancellor of the Exchequer his new proposal for dealing with empty office blocks, with a view to taking effective action as soon as possible. Members of the Cabinet should continue to bear in mind the need for complete discretion about the matters which had been discussed.
The Cabinet -

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

2. Subject to the points mentioned in the Prime Minister's summing up, invited the Chancellor of the Exchequer to announce measures on the lines proposed in CP(73) 139 on 17 December.

3. Invited the Secretary of State for the Environment, in consultation with the Chancellor of the Exchequer, to press forward action to deal with the problem of empty office blocks.

Cabinet Office

14 December 1973