CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 7 MARCH 1974
at 5.00 pm

PRESENT

The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council

The Rt Hon Sir Elwyn Jones
Lord Chancellor

The Rt Hon Denis Healey MP
Chancellor of the Exchequer

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer Protection

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Industry
(For Items 1 - 4)

The Rt Hon Roy Mason MP
Secretary of State for Defence

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon James Callaghan MP
Secretary of State for Foreign and Commonwealth Affairs

The Rt Hon Roy Jenkins MP
Secretary of State for the Home Department

The Rt Hon Anthony Crosland MP
Secretary of State for the Environment

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services

The Rt Hon Peter Shore MP
Secretary of State for Trade

The Rt Hon Reginald Prentice MP
Secretary of State for Education and Science

The Rt Hon John Morris QC MP
Secretary of State for Wales
The Rt Hon Merlyn Rees MP
Secretary of State for Northern Ireland

The Rt Hon Frederick Peart MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Harold Lever MP
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Shepherd
Lord Privy Seal

ALSO PRESENT
The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

SECRETARIAT
Sir John Hunt
Mr P Benner (Items 1 - 4)
Mr J A Hamilton (Item 5)
Mr J Anson (Item 5)
Mr K R Stowe (Item 4)

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GOVERNMENT PROCEDURE

1. THE PRIME MINISTER said that a memorandum on Questions of Procedure for Ministers (C(P)(74) 1) would shortly be circulated to all members of the Government and should be carefully studied. It was important, in order to ensure that the Government's business was smoothly and efficiently handled, that the procedural rules set out in the memorandum were strictly observed. Any Minister wishing to make an announcement on an important policy question, whether in Parliament or elsewhere, should clear it in advance with the Lord President of the Council, particularly as regards timing.

The Cabinet -

Took note of the Prime Minister's statement.

ELECTRICITY RESTRICTIONS

2. THE SECRETARY OF STATE FOR ENERGY said that, after consultations with the Confederation of British Industry, the Trades Union Congress, the Central Electricity Generating Board and other interests concerned, he had concluded that it would be possible immediately to return to five-day working. He had accordingly made the necessary Order, which would come into effect at midnight on 8-9 March. The restrictions on the use of electricity for heating and lighting in industrial and commercial premises and on street lighting would continue for the time being. He expected that it would be possible to bring these also to an end very shortly, although, for practical reasons, it would take local authorities some time fully to restore street lighting. The way was thus open for industrial production to return to normal although this would not be achieved immediately in some sectors because of shortages of components.

The Cabinet -

Took note of the statement by the Secretary of State for Energy.

PARLIAMENTARY AFFAIRS

3. The Cabinet were informed of the business to be taken in the House of Commons during the following week. It was for the Opposition to decide how time should be allocated during the Debate on the Address, and therefore it might be possible to give only short notice to Ministers who would be required to speak during the Debate.

It would be necessary for the Cabinet to settle the Government's legislative programme as soon as possible; and Ministers were being asked urgently to submit their Departments' legislative proposals. As a result of the even balance of Party strength in the House of Commons, it was likely that the Committee Stage of controversial Bills would frequently have to be taken on the Floor of the House, and this would restrict the volume of legislation which the Government could hope to undertake.
4. The Cabinet had before them a note by the Lord President of the Council (C(74) 1), to which was annexed a 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 a number of amendments which had been suggested in discussion. The programme outlined in the draft Speech would justify an initial Session of at least a year; but a final decision whether or not to prorogue Parliament in the autumn of 1974 need not be taken for some months. The Speech was couched in terms which would not commit the Government to introduce legislation during the initial Session beyond the relatively few Bills to which it was clear that immediate priority must be given. Commitments involving public expenditure were dealt with on precisely the same basis. It was essential that, in their speeches during the Debate on the Address and elsewhere, Ministers should strictly adhere to this approach. In particular, no commitments involving public expenditure should be given in advance of collective decisions by Ministers; and the Cabinet would not be able to reach conclusions on spending priorities until there had been full discussion of the economic situation. Where the draft Speech contained commitments – for example, in relation to increases in pensions and social security benefits – no promises should at this stage be made as to the date from which they would take effect.

The Cabinet –

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

5. THE SECRETARY OF STATE FOR EMPLOYMENT said that the National Coal Board (NCB) had reached agreement with the National Union of Mineworkers (NUM) on a settlement that would increase basic wage rates to £45 for face workers, £36 for other underground workers, and £32 for surface workers. In order to do this the NCB had been authorised to increase their offer to a total of £108 1/2 million, equivalent to an increase of 32 per cent. It had been clear that a settlement could not have been reached on the basis of the Pay Board’s relativities report. The NCB had successfully resisted a further NUM claim for backdating to November 1973. The NCB had also undertaken to give a threshold agreement on the lines of the Pay Code; on present forecasts this would, by the end of the year, add £3.60 a week to the value of the settlement, and this was not included in the estimate of total cost. The arrangements for putting the settlement through the Pay Board procedure and giving formal Ministerial consent would be completed as quickly as possible.
The mineworkers' settlement would inevitably have an effect on the general prospect for pay settlements, which was already disturbing. Stage 3 of the Conservative Government's policy was originally estimated to give rise to an increase of 11 per cent in earnings. But on present forecasts the threshold agreements would now be triggered nine times, starting in April, and by the end of the year earnings would then be 19-20 per cent higher than a year earlier, and prices 15 per cent higher. The direct repercussions of the mineworkers' settlement might not be too great because of the assurance of the Trades Union Congress (TUC) that their case was unique. There was however a formidable list of demands which would come forward in the next three or four months, and which would be intensified even if the TUC did all in their power to restrain them.

Against this background, it would be necessary to consider the position which the Government should adopt for the immediate future and in the longer term. As regards the immediate future, the TUC wanted the Pay Board to be abolished, but this required legislation and could not be done at once. The fact that the Stage 3 limit had been lifted for the mineworkers did not therefore mean that it had been lifted for all other claims; and he hoped that during this interim period Ministers dealing with claims which came to their Departments would not say or imply that the Stage 3 limit had been removed altogether. While there could be no question of going back on the Government's commitment, the Counter-Inflation Act 1973 remained in force until it was altered, and it could only be overridden by using the power of Ministerial consent given by the Act; this might need to be invoked in some cases. He would aim, in his discussions with the General Secretary of the TUC, to ensure that there was no misunderstanding about the position during the interim period; and then to reach agreement on a fuller statement on the way of arriving at a general indication of the kind of settlements that were to be made on a voluntary basis. In the light of these discussions, he would circulate a note suggesting the line that should be taken on this subject in the Debate on the Address.

THE SECRETARY OF STATE FOR ENERGY said that the cost of the mineworkers' settlement would increase the NCB's deficit in 1974-75 to some £400 million. He proposed therefore to encourage the Board to make an immediate increase in the price of industrial coal, but not of domestic coal.

In discussion the following points were made -

a. The TUC were unlikely in practice to expect that the Pay Board could be abolished overnight, and indeed some of their members might prefer otherwise. Departments would however need guidance on the way in which they should deal
with current cases. The Doctors' and Dentists' Review Body, for example, were at present taking evidence; and the British Medical Association had indicated that they were not prepared to accept the Stage 3 limit. It would however seem preferable for Ministers to hold back from endorsing claims going beyond that limit until the Government's future policy had been further developed.

b. There would be advantage in relating an immediate increase in the price of industrial coal to the cost of the mineworkers' settlement. In presenting this, attention could also be drawn to the high cost of the industrial action itself. It would however be preferable not to extend the price increase to domestic coal, since this would significantly increase the retail price index and aggravate the serious problem posed by the threshold agreements. The more general problem of prices in the nationalised industries as a whole would need further urgent consideration by the Ministers concerned.

THE PRIME MINISTER, summing up the discussion, said that the Secretaries of State for Employment and for Energy were to be congratulated on the speedy conclusion of a settlement of the mineworkers' dispute. On the development of future policy, the Cabinet endorsed the general approach which the Secretary of State for Employment had suggested. In the light of his preliminary discussions with the General Secretary of the TUC, the Secretary of State for Employment should circulate a note indicating the line which he proposed to take during the Debate on the Address. While discussions on future policy were continuing, Ministers dealing with particular pay claims should seek to avoid endorsing proposals for pay increases going beyond those permitted by the legislation currently in force. The Secretaries of State for Employment and for Prices and Consumer Protection should study urgently the legislation which would be needed to amend the Counter-Inflation Act 1973, and should arrange for the preparation of a memorandum on this subject as soon as possible. The Cabinet agreed that there should be an increase in the price of industrial coal, but that an increase in the price of domestic coal should be avoided for the time being. Further early consideration would need to be given to the more general problem of nationalised industry prices.
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 Employment -
   a. To circulate a note on the line which he proposed to adopt in the Debate on the Address.
   b. In consultation with the Chancellor of the Exchequer and the Secretary of State for Prices and Consumer Protection, to consider urgently the legislation needed to amend the Counter-Inflation Act 1973.

3. Invited the Secretary of State for Energy, in consultation with the Chancellor of the Exchequer, to authorise the National Coal Board to make an immediate increase in the price of industrial coal.

Cabinet Office

8 March 1974