CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
FRIDAY 2 AUGUST 1974
at 9.30 am

PRESENT
The Rt Hon Harold Wilson MP
Prime Minister

The Rt Hon Edward Short MP
Lord President of the Council
(In the Chair for part of Item 4)

The Rt Hon Lord 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

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 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
(Items 1-3)

The Rt Hon Eric Varley MP
Secretary of State for Energy

The Rt Hon Barbara Castle MP
Secretary of State for Social Services
(Items 2 and 3)

The Rt Hon Roy Mason MP
Secretary of State for Defence
(Items 1-3)

The Rt Hon William Ross MP
Secretary of State for Scotland

The Rt Hon Fred 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

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

Mr Robert Sheldon MP
Minister of State, Civil Service Department (Item 1)

Mr Roland Moyle MP
Minister of State, Northern Ireland Office (Items 1-3)

SECRETARIAT

Sir John Hunt
Mr P Benner (Item 2)
Mr J A Hamilton (Items 1 and 3)
Mr J Anson (Item 4)
Mr H F Ellis-Rees (Item 4)
Mr R L Baxter (Item 1)
Mr R G S Johnston (Item 3)

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1. The Cabinet considered a memorandum by the Lord President of the Council (C(74) 87) on United Kingdom civil servants in Northern Ireland.

THE LORD PRESIDENT said that in May he had received a deputation from the National Staff Side who had argued strongly in favour of a long-standing claim for an additional one week's annual leave and a special allowance of £150 a year for all United Kingdom non-industrial civil servants serving in Northern Ireland. The Staff Side had said that other good employers in the Province gave their staff additional leave, cash bonuses or free holidays abroad; that Government employees were subject to more stress than other people in Ulster; and that morale was at a low ebb. He did not agree that civil servants were in fact under greater stress than the rest of the Northern Ireland population, but it was certainly true that their conditions were worse than those of civil servants in other parts of the United Kingdom and there was some talk of industrial action. He had promised them that their case would be considered by Ministers collectively. Although the National Staff Side spoke only for the 4,000 non-industrial United Kingdom civil servants serving in Northern Ireland, it would be necessary to extend any concessions to the 5,000 industrial civil servants; the cost of an ex gratia payment of £100 each would be about £900,000 and the notional cost of an extra week's leave would be about £350,000. The Secretary of State for Northern Ireland was concerned about the possible repercussions, but if the Government did not give some such concession it would stand out as one of the few employers that had failed to do so. There was also a Departmental claim on the Customs and Excise Department for an allowance of £300 a year for the 200 staff employed at the land boundary posts. These staff were exposed to particular danger and discomfort, but if a general concession were made on the lines that he had suggested, he would propose to reject any special concession to the land boundary men.

THE MINISTER OF STATE, NORTHERN IRELAND OFFICE, said that his Secretary of State was against any concession to the United Kingdom civil servants in the Province because of the repercussions. Most of the civil servants in question were Irish and would expect to spend their whole careers in the Province. Many of them were not under any particular stress. If they received any special concession it would be necessary at once to discuss the similar treatment of the 30,000 staff of the Northern Ireland Civil Service. There would then be a case for special treatment for the ambulance-men and the firemen, who faced greater dangers than the civil servants, and for the staffs of many of the other public services in the Province. Because of under-staffing it might prove impossible to give leave concessions to the Northern Ireland public service so that a further cash concession might have to be offered in lieu. Finally the pressure would come on the
industrial firms in the Province, who had not so far followed the commercial firms in offering special concessions to their staff. The total cost to Northern Ireland might amount to about £50 million a year.

In discussion it was argued that the Cabinet should be guided by the Secretary of State for Northern Ireland, who was in a position to judge the repercussions in the Province. There could moreover be repercussions in other parts of the United Kingdom if, for instance, a terrorist campaign were mounted against the police. The proposal would lower the value of the existing concessions to the Army and Post Office in Northern Ireland. On the other hand it was argued that the United Kingdom civil servants in Northern Ireland had worked well throughout the recent disturbances. Unlike many of the staff of the Northern Ireland public services, they had not joined in any political strike. Good management practice required the Government to follow the other employers of comparable staff in offering similar concessions, the repercussive effects of which had been greatly exaggerated. It was suggested that if extra leave or cash allowances were ruled out it would be worth considering concessions on travel, and that if there could be no general concession it would be right to do something for the land boundary men, whose case was recognised by the trade unions as exceptional, and for the resident magistrates, who earned less than their equivalents in Great Britain.

THE PRIME MINISTER, summing up the discussion, said that although many members of the Cabinet clearly had doubts about the proposals they ought to be examined on their merits by the Official Committee on Pay Negotiations. Although it might become relevant to consider the special claims of particular groups like those that had been mentioned, the Committee should first consider the general question of the proposed concessions to all United Kingdom civil servants in Northern Ireland with a view to assessing as accurately as possible what their repercussions would be. The Official Committee should report to the Sub-Committee on Pay Negotiations of the Ministerial Committee on Economic Policy, and the question should be brought back to the Cabinet at the beginning of September.

The Cabinet -

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

2. Invited the Official Committee on Pay Negotiations to proceed accordingly.
2. THE PRIME MINISTER said that, following the issue in early June of the Government's Consultation Document on Devolution, discussions with the interested bodies had been taking place in Scotland and Wales, and their outcome had been considered by a small Ministerial Group under his chairmanship. The Group had then considered what should be the content of the White Paper which the Government were committed to issue in the autumn. Very major issues were at stake - indeed, mishandling of the situation could arguably lead in the long run to the break-up of the United Kingdom: and the Ministers concerned had been very conscious of this danger and of the possible risk of embarking on a process of change which, once started, could not be halted. The Government were publicly committed against separatism and federalism, but on political grounds some move towards devolution was necessary. The Ministerial Group had rejected full legislative devolution on the lines proposed in the majority Kilbrandon Report. They had then considered the possibility of some form of modified legislative devolution, but this raised substantial problems and the majority of the Ministerial Group were against any commitment to it. They had therefore concluded that at this stage the Government should commit themselves only to proposing elected assemblies in Scotland and Wales, the former with some legislative powers and the latter with mainly executive powers. This different treatment of the two countries could be justified on several grounds - the existence of a separate Scottish legal system and of separate Scottish statutes was one; and the differing wishes and expectations in the two countries was another. Accordingly the Ministerial Group had commissioned the preparation of two draft White Papers, one very short and doing little more than announce the decision about the establishment of elected assemblies, the other going into rather more detail. It had been decided that the short version was preferable, but that it should be somewhat expanded, in particular to indicate what had already been done or was being done within the existing constitutional framework in order to increase the extent to which decisions affecting Scotland and Wales were taken in Scotland and Wales, while at the same time stressing the importance of preserving both the unity of the United Kingdom and the principle that the economy must be managed on a United Kingdom basis. It would probably also be desirable to refer to the continuance of the two Secretaries of State and to the retention of Scottish and Welsh representation in the United Kingdom Parliament at its present level. A short White Paper giving a general statement of principle on these lines should be sufficient to meet the immediate political requirement while leaving the Government the maximum room for manoeuvre after the Election.

In discussion it was argued that the Government should have more time to weigh a decision of such historical importance and that it was regrettable that their hand had to some extent been forced by
external political pressures. In the circumstances they had to be alive to political realities: but it would be important for the proposed White Paper to assert the positive argument for the integrity of the United Kingdom and to relate the case for elected assemblies in Scotland and Wales to the problems which would be involved.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet need take no final decision at this stage. Further work should however proceed on the basis of a short White Paper containing a general statement of intent to establish elected assemblies in Scotland and Wales, the former with some legislative powers and the latter with mainly executive powers. It should emphasise the importance of preserving the unity of the United Kingdom and should also bring out what was separately being done to benefit Scotland and Wales. The two Secretaries of State were already revising the sections of prime concern to them: they should do so in the light of the Cabinet's discussion and should also consult the Chancellor of the Exchequer. A revised version of the draft White Paper would be considered by the Ministerial Group at the end of August which would enable account to be taken of discussion at the Scottish Labour Party Conference in mid-August. Following that the matter would come before the Cabinet for a final decision with a view to publication of the White Paper in the first part of September.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.
The Cabinet considered two notes by the Secretary of the Cabinet, C(74) 88, to which were attached draft sections of a White Paper on Planning Agreements and the National Enterprise Board (NEB), and C(74) 89, to which were attached draft introductory paragraphs for the White Paper, prepared by the Secretary of State for Industry.

The Prime Minister said that a first draft of the White Paper had come before the Ministerial Committee on Industrial Development (IDV) on 28 June. In the light of their discussion he had prepared a fresh outline which had been agreed by IDV on 9 July and given to officials as a guideline in preparing a further complete draft. A small group of Ministers under his chairmanship, comprising the Chancellor of the Exchequer, the Secretary of State for Employment, the Secretary of State for Industry and the Secretary of State for Prices and Consumer Protection had discussed this draft on 29 July and a further draft, reflecting their decisions, had been considered at IDV on 31 July. The draft attached to C(74) 88 reflected the weight of opinion in IDV on the main issues arising from Planning Agreements and the NEB. The introductory paragraphs would be consequential on the decisions reached on the main text; he suggested therefore that the Cabinet should first discuss Planning Agreements and the NEB.

In discussion the following main points were made:

a. In the absence of a statutory requirement some other leverage was needed to ensure that firms entered into Planning Agreements with the Government. For these firms, some proportion of the grants normally payable under the authority of the Industry Act 1972 should be made negotiable. In return, the company could be assured that the rate of grant for projects embarked on under the Agreement would not fall below the rates in force at the time of the Agreement. Labour's Programme 1973 had specifically stated that all incentives and aid to companies should be channelled through the Planning Agreements system; the prodigality of the present system has been sharply criticised by the Select Committee on Trade and Industry. If the White Paper failed to put forward any proposal to control this massive outflow of public funds, people in the regions would see it as a totally missed opportunity on the part of the Government. On the other hand, it was strongly argued that business confidence would be severely damaged by the implication that investment grants and other automatic payments would depend, for firms in the Planning Agreements system, on the discretion of a Minister rather than being received as a right derived from an Act of Parliament. The Government should recognise...
that conditions had completely changed since Labour's Programme 1973 had been prepared; business confidence had declined to an alarming degree and further chopping and changing in Government policy would be disastrous. The draft should therefore make it clear that investment grants, regional development aid and Regional Employment Premium (REP) were not at issue, but that the Government would assess with the company its needs for assistance to support company plans, with particular reference to selective assistance for new employment projects in the regions.

b. The need for a far-ranging review of regional aid was generally agreed, but it was pointed out that to announce this would create uncertainty and be detrimental to business confidence. No statement about the review should be made until an alternative system had been thought out.

c. Assistance for small businesses should be given greater prominence, and the Government's consideration of their problems should be specifically mentioned.

A number of other amendments were discussed and agreed.

In discussion the following main points were made -

d. The degree to which the NEB would be subject to Parliamentary and Governmental control should be given greater emphasis.

e. It should be emphasised that the intention was that all holdings in companies, whether 100 per cent or in part, would be acquired by agreement; the drafting of paragraph 20 should be amended to avoid ambiguity on this.

f. In its existing form, paragraph 23 would cause uncertainty over the circumstances in which the Government might choose to exercise compulsory acquisition, and what Parliamentary authority would be sought. It would be preferable to say that, if in any case compulsory acquisition proved to be necessary, this would normally be authorised by specific Act of Parliament. The rights of private interests to represent their case against compulsory acquisition must be strenuously safeguarded.

g. Paragraph 32 should be expanded to cover the special circumstances of Northern Ireland, and to allow for similar arrangements to those in Scotland to be made for Wales, on the analogy of the reference to Wales in the Secretary of State for Energy's report to Parliament on United Kingdom offshore oil and gas.
A number of other amendments were discussed and agreed.

**The Introduction**

h. A revision of the paragraphs covered in C(74) 89 was circulated by the Prime Minister and agreed, subject to minor changes

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that investment grants, regional aid and REP should not be made conditional for firms in the Planning Agreements system. The Government would assess with companies their need for any further assistance to their plans with particular reference to new employment projects in the regions. The Government should undertake a review of automatic grants to industry, but this should not be mentioned in the White Paper. Further consideration should be given to helping small businesses, and a clear reference to this should be made. The Secretary of State for Industry would of course also be free to report to the Cabinet on the working of the scheme in the light of experience, but it would be important not to imply in public that modifications might be contemplated.

The NEB should operate in pursuit of its objectives, as defined and expanded in discussion. If compulsory acquisition proved to be necessary, it would normally be by specific Act of Parliament. The Secretary of State for Industry should arrange for his officials to consider further, in consultation with the First Parliamentary Counsel, the procedure to be adopted in cases of extreme urgency. The arrangements for Northern Ireland and Wales should be stated in greater detail.

The Secretary of the Cabinet should arrange for a further draft, incorporating the revisions agreed at the meeting, to be prepared and circulated to the Cabinet on 5 August. If necessary, the small drafting group of Ministers would meet on 6 August to consider any outstanding textual issues. Subject to such clearance, the Secretary of State for Industry should arrange for the White Paper to be published. It was important that Ministers should adhere to the policies now agreed for Planning Agreements and the NEB in public speeches. The Secretary of State for Industry should consider, in consultation with the Foreign and Commonwealth Secretary, whether a popular version of the White Paper might be published by the Labour Party; it should not however be issued as a Government document nor should the cost of producing it fall on public funds. It would be necessary however for the text of any popular version to be cleared with himself and other Ministers concerned.
The Cabinet -

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

2. Invited the Secretary of State for Industry -

   i. To arrange for the First Parliamentary Counsel to be consulted on Parliamentary arrangements for compulsory acquisition in circumstances of compelling urgency.

   ii. Subject to final clearance of the text by Ministers, to arrange in consultation with the Lord President of the Council for the White Paper on Planning Agreements and the National Enterprise Board to be published.

   iii. In consultation with the Foreign and Commonwealth Secretary to consider whether a popular version of the White Paper might be published under the auspices of the Labour Party.

3. Instructed the Secretary of the Cabinet to arrange for a revised text of the White Paper, incorporating the amendments agreed at their meeting, to be prepared and circulated on 5 August.
4. The Cabinet considered a memorandum by the Secretary of State for Industry (C(74) 86) about possible changes to assisted area boundaries.

THE SECRETARY OF STATE FOR INDUSTRY recalled that at their discussion on 11 July, the Cabinet had decided not to pursue for the time being any changes in assisted area boundaries, but had recognised that the question might need to be reopened in the light of the economic measures which the Chancellor of the Exchequer had then been preparing. In the event, these measures had significantly strengthened the case for making some immediate changes in assisted area boundaries: particularly the doubling of the Regional Employment Premium (REP), which had increased substantially the financial advantage to manufacturing industry of the development areas (DAs) over the intermediate areas (IAs), and had already brought strong representations from Edinburgh and to a lesser extent from Cardiff and Newport. He believed that the case for upgrading Edinburgh, Leith and Portobello was now overwhelming, and the case for Cardiff was closely linked politically with that for Edinburgh, Merseyside and North West Wales would both gain from the doubling of REP, but their position relative to the rest of the DAs was unchanged, and the urgent need for further action remained. The position of Chesterfield was a major anomaly, and it was generally accepted that if any areas were to be upgraded then Chesterfield should be given IA status at the same time. The cost of these measures would now be some £25 million a year; they could be made by Statutory Instrument, which could be laid and brought into force in the Recess. There were already indications that further measures might be needed to assist the regions over the problems of the coming winter. These proposals were a means by which some real good could be done immediately to areas in need. He therefore invited the Cabinet to agree to the immediate upgrading of Merseyside, North West Wales, the Scottish IA, the Cardiff travel-to-work area, and Chesterfield.

THE CHANCELLOR OF THE EXCHEQUER said that the proposed changes would further dilute the effectiveness of regional benefits and would stimulate new demands for upgradings elsewhere. Indeed, such changes would be an extension of the indiscriminate and unselective aid which had been criticised during the Cabinet's discussion earlier that morning. The measures he had recently announced had made a significant improvement in the position of Merseyside and North West Wales: for example, the doubling of REP would bring an extra £20 million a year to Merseyside, compared with about £2 million which would come from upgrading it to a special development area (SDA). It would be preferable to review the matter again at a later stage when the possibility of compensating downgradings could be considered. In the meantime, he urged the Cabinet to reaffirm their earlier decision not to make any changes at present.
THE SECRETARY OF STATE FOR SCOTLAND said that the problems of Edinburgh had begun in 1963, and had been accentuated by the previous Administration's decision not to proceed with the plans to site a large tax office there. The doubling of REP had now put industry in the Edinburgh area at a severe competitive disadvantage compared with the whole of the rest of Scotland and the North of England. Male unemployment in Edinburgh was higher than the average rate for the whole of Scotland, and double that for the United Kingdom. Merseyside and Cardiff were due to benefit from the dispersal of Government jobs. There was an overwhelming case on merits, therefore, for the upgrading of Edinburgh.

THE SECRETARY OF STATE FOR WALES said that although he had modified his original proposals for changes in Wales, he must continue to press for the upgrading of North West Wales and Cardiff. North West Wales was indeed an outstanding anomaly, where unemployment now ranged between 8.5 and 9.5 per cent; and though the absolute cost of conferring SDA status would be small, the effect in psychological terms would be very marked. Like Edinburgh, the position of Cardiff in relation to the surrounding area had been significantly worsened as a result of the doubling of REP, and the high rate of male unemployment there was not likely to be improved by the jobs available from the dispersal of Government offices. Nor would it be feasible, on broad political grounds, to discriminate between the treatment of Cardiff and Edinburgh.

THE LORD PRESIDENT, summing up the discussion, said that while they recognised the need, in the longer term, for a more thorough review of assisted area boundaries, the Cabinet agreed on balance that the doubling of REP made some immediate changes necessary; and they accepted that the proposed package had to be considered as a whole. They therefore approved the changes now proposed by the Secretary of State for Industry. The Secretary of State for Industry should agree the terms of a suitable announcement with the Chancellor of the Exchequer and the other Ministers concerned, and consult him about its timing.

The Cabinet -

1. Agreed that Merseyside and North West Wales should become special development areas, that Edinburgh, Leith and Portobello and the Cardiff travel-to-work area should become development areas, and that Chesterfield should become an intermediate area.
2. Invited the Secretary of State for Industry, in consultation with the Chancellor of the Exchequer, and the Secretaries of State for Employment, for Scotland and for Wales, to prepare a suitable announcement, and consult the Lord President of the Council about its timing.

Cabinet Office
2 August 1974