CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street on THURSDAY 4 DECEMBER 1975 at 10.15 am

PRESENT

The Rt Hon Harold Wilson MP Prime Minister

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

The Rt Hon Roy Jenkins MP Secretary of State for Foreign and Commonwealth Affairs

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

The Rt Hon Anthony Wedgwood Benn 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 William Ross MP Secretary of State for Scotland

The Rt Hon Merlyn Rees MP Secretary of State for Northern Ireland

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

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 Eric Varley MP Secretary of State for Industry

The Rt Hon Roy Mason MP Secretary of State for Defence

The Rt Hon John Morris QC MP Secretary of State for Wales

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

The Rt Hon Lord Shepherd Lord Privy Seal
The Rt Hon Fred Mulley MP
Secretary of State for Education and Science

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury

The Rt Hon Reginald Prentice MP
Minister for Overseas Development

The Rt Hon John Silkin MP
Minister for Planning and Local Government

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Samuel Silkin QC MP
Attorney General (Item 4)

The Rt Hon Edmund Dell MP
Paymaster General (Item 4)

SECRETARIAT

Sir John Hunt
Mr G R Denman (Item 2)
Mr P Benner (Item 1)
Mr J A Hamilton (Items 3 and 4)
Mr T F Brerichley (Item 2)
Mr J A Marshall (Item 3)
Mr R P S Hughes (Items 1 and 2)
Mr C J Farrow (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. In connection with the debate on 8 December about the effects of Government policy on offshore oil, it would be helpful if the current Ministerial discussions about the appointment of the members of the British National Oil Corporation could be completed in time for an announcement to be made during or just before the debate.

It was reported that increasing pressure was being brought to bear on Ministers and backbench Members of Parliament by trade unions other than those representing the dock workers which would be affected by the Dock Work Regulation Bill, which was due to receive its Second Reading on 10 December. It might be worth considering whether any concessions could be offered to them at a later stage; but the most pressing need was to do everything possible during the Second Reading debate to allay their immediate concern. The fact was that there was an unavoidable clash of interests between the trade unions concerned; the aim of the Bill was to mitigate it, but it could not be removed altogether. There had been full consultations with the trade unions not primarily concerned with the interests of dock workers, and further consultations had been offered.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet recognised that there was a clash of interests which could not be wholly removed. It was however important that the Secretary of State for Employment should, during the Second Reading debate, do all he could to reassure the trade unions not primarily concerned with dock workers and stress that there would be continuing consultations with them.

The Cabinet -

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

THE HOME SECRETARY said that it was important that there should be a good attendance at the debate on 11 December on a Private Member's Motion for the restoration of capital punishment for terrorist offences causing death. There would be a free vote, and if the House of Commons did not produce a substantial majority against capital punishment pressure in the country for it to be restored, at any rate in relation to terrorist offences, might become irresistible. The policy of releasing all the remaining detainees in Northern Ireland before Christmas presented some problems for the handling of the debate. The number of detainees affected was 46 and the Secretary of State for Northern Ireland would like to release them all by the end of the following week, so that the whole operation could be completed well
before Christmas. But this would be a substantial increase in the normal rate of releases and supporters of capital punishment might argue that it was a policy of appeasement. It would be all the more embarrassing if one of the released detainees committed a terrorist act before the debate took place. It would therefore be worthwhile considering whether a preferable course might not be to release only some 20 detainees during the following week and the remainder after the debate and shortly before Christmas.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that in his view the benefits so far as Northern Ireland was concerned of releasing all the detainees as quickly as possible outweighed the possible difficulties which might arise in relation to the debate. Opinion in Northern Ireland now generally supported his policy of bringing detention to an end and dealing with terrorists through the courts. His contacts with politicians and with the police and the army showed substantial support for his view that it would now be preferable to end detention as quickly as possible. Moreover the Provisional Irish Republican Army was already in disarray, and the complete end of detention would remove one of the most important and most popular planks in their programme; furthermore it would deny them any excuse for staging some act of violence on the ground that the Government did not in fact intend to honour its promise to release all detainees.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet recognised that there were conflicting considerations which were nicely balanced. On balance they agreed that the preferable course would be for the Secretary of State for Northern Ireland to proceed as planned with the immediate release of all the remaining 46 detainees and that any risks this might involve in relation to the debate should be accepted. Every effort should be made to secure a good attendance at the debate, since it was important that the Motion should be rejected by as large a majority as possible.

The Cabinet -

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

It was argued that it was important that time should be found for a debate on unemployment before the House rose for the Christmas Recess. If this were not done there was some danger that Government backbench supporters would seek an emergency debate, which might well result in the Government's defeat. It would have to be accepted that the House of Commons might in consequence have to sit during Christmas week rather than rise on 19 December as had been hoped.
THE PRIME MINISTER, summing up a short discussion, said that the Cabinet agreed that there should be an announcement during the business statement later that day that there would be a debate on unemployment before the Recess, probably in the week beginning 15 December. It should take place on the basis of a Motion seeking approval to the package of measures to counter unemployment, the precise content of which Ministers would be settling shortly. The debate could also deal with Chrysler, and if appropriate, with import restrictions. As a consequence of finding time for the debate the House of Commons would have to sit at the beginning of Christmas week; but the business taken should be as uncontentious as possible.

The Cabinet -

3. Took note, with approval of the Prime Minister’s summing up of their discussion and invited the Parliamentary Secretary, Treasury to be guided accordingly.
THE FOREIGN AND COMMONWEALTH SECRETARY said that the decision of the United Nations Security Council to renew the mandate for the United Nations Disengagement Observer Force on the Golan Heights had averted a grave situation which might have involved a real possibility of a new Middle East war. The Soviet Union had undoubtedly scored a success with regard to the possibility of participation by the representatives of the Palestine Liberation Organisation (PLO) in the Security Council debate on the Middle East to be held in January. This question of participation would be re-opened in January at the beginning of the debate, but since it was a procedural matter no veto could be cast. The Israelis, who were bitterly disappointed with this development, had said that they would not co-operate in the January debate, but he had offered Mr Allon, the Israeli Minister for Foreign Affairs, his advice that they might be wise to reconsider the danger of leaving the field clear for their adversaries. He personally considered that the Israeli Government would eventually have to reconcile themselves to dealing with the PLO in some manner; he thought that they should be turning their attention to exacting in return the price of recognition of the statehood of Israel by the PLO. He had arranged to discuss the question with the United States Secretary of State, Dr Kissinger, when they met next week at the North Atlantic Treaty Organisation Council meeting. Meanwhile, it was important that nothing should be done to harden attitudes on either side and clearly the recent Israeli bombing of targets in the Lebanon, in which some 70 people had been killed, had been a most unfortunate development.

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had been very impressed by his visit to Saudi Arabia during the course of his recent tour of the Arabian Peninsula. British exports to Saudi Arabia this year would be of the order of £200 million and there was no reason why this figure could not be doubled. He had heard from the Saudis the usual complaints against British businessmen and for his part he had done his best to reassure them about the reliability of sterling and about the underlying strength of our economic position, as well as more generally about the Government's determination to remain in command of events. He had formed the strong impression that Saudi Arabia, although its regime was in many ways totalitarian, had much better prospects of stability than many of the neighbouring Governments.

The Cabinet -

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

CONFIDENTIAL
THE FOREIGN AND COMMONWEALTH SECRETARY reported on the
meeting of the European Council which the Prime Minister and he had
attended in Rome on 1 and 2 December. There had been no communique
but a number of agreements had been come to in the form of working
documents. On the Community Budget and financial control the
discussion which the Prime Minister had had with the Federal German
Chancellor in July and the work which the Prime Minister had since put
into elaborating our proposals had paid a substantial dividend. There
had been a general welcome at the European Council for our proposals
which we would now publish as a White Paper and agreement in particular
to pursue actively our proposal for a Committee of the European Assembly
on the lines of the House of Commons' Public Accounts Committee to watch
over Community expenditure. On the basis of the discussion detailed
proposals would be submitted by the Commission to the Council of Ministers.

On direct elections, seven countries had agreed that elections to the
European Parliament should take place on a single date in May or June 1978.
It had been agreed that any country which at that date was unable to hold
direct elections should be allowed to appoint its representatives from
among the elected members of its national Parliament. The Council had
noted the Prime Minister's statement that further consultations would be
necessary before the British Government could commit itself to final
arrangements. Denmark had also reserved its position. Foreign
Ministers had been instructed to take further their examination of the
question and to submit a report to the next European Council in March.
This would probably lead to considerable argument on the size of the
European Assembly between the French, who wanted the number of seats
to be proportional to the population of the Member States, and the Irish,
who wanted to increase the share of the total seats held by the smaller
countries.

On Passport Union the Council had agreed that a uniform passport might
be issued as from 1978 and had asked the Council of Ministers (Foreign
Affairs) to resolve all outstanding questions in this area including the
difficult issues of the abolition of frontier controls and the harmonisation
of conditions of entry.

M. Tindemans had reported very briefly on the progress of his report on
European Union but there had been no substantive discussion. A
United Kingdom proposal for a meeting of Ministers of the Interior to
discuss common problems with particular reference to law and order had
been agreed. The President of the French Republic had also suggested
that this meeting should discuss the associated question of the right of
asylum.

On the Conference on International Economic Co-operation there had been
long and fierce discussion. The Prime Minister had fought very hard for
our position and, while we had not gained everything we had publicly
aimed for, there had been some significant practical gains. The French
had agreed to the principle of a Minimum Support Price (MSP) and emer-
gency sharing arrangements for oil although the latter point was not for
publication, and thus had come into line in everything but name with the International Energy Agency which they had earlier refused to join. In so far as representation of the United Kingdom was concerned it had been agreed that the Community spokesmen should be the President of the Council and the Commission, but that the President of the Community Delegation would be able to invite two countries, the United Kingdom and Luxembourg (as the country due to succeed to the Presidency at the end of the year) to "present additional statements" providing that they did not actually contradict the Community mandate. But, of course, any Community mandate required unanimity and we would only agree to one which fully took account of our own interests. So, both at the Ministerial Conference in December which he would attend and in the various Commissions, the United Kingdom would be able to put its own point of view. This arrangement was not as satisfactory as the separate seat for which we had pressed. But in reality the gains of substance we had made in securing French agreement to MSP and the emergency sharing arrangements and the separate voice we had gained for the United Kingdom represented a good compromise. We could not have obtained more and what we had secured had only been got by tough and sustained negotiation on the part of the Prime Minister.

THE PRIME MINISTER said that we had in fact secured the substance of what we had set out to get. Not only had the French agreed to the principle of an MSP and emergency oil sharing but we had secured the right to state our case. The Press reports of a row between himself and the Federal German Chancellor had been entirely unfounded. Indeed, Herr Schmidt had been helpful throughout. After the compromise had been reached President Giscard had said that the result had shown the value of the European Council and that the Community had been strengthened by the compromise. And an editorial in today's Le Monde had pointed out that, as a result of the Prime Minister's tactics, Community energy policy had made more progress in a few hours than since the birth of the Community.

The Prime Minister added that he had been asked at the lunch attended only by Heads of Government about our intentions on import controls. He had said that we were still considering our position. In the case of cars a decision would depend on the fate of the Chrysler operations in Great Britain. President Ortoli of the Commission had been unhelpful and the other Heads of Government had said that import restraints in the United Kingdom on cars would present difficulty. Action on our part on textiles and footwear particularly in so far as imports from low cost producers were concerned, would cause much less difficulty as would action on television tubes providing that this was limited to types not supplied by the European market.
In discussion it was argued that as represented in the media the decision of the European Council on passports, in particular the proposal that a Community passport should have the words "European Community" at the top, was likely to arouse nationalist reactions in this country. Moreover the practical utility of a European passport was open to question. On the other hand it was pointed out that the Prime Minister had made it clear at the European Council that we would not wish to introduce the new passport before the new nationality legislation which had been projected had come into force. And a whole range of technical issues which remained to be resolved would need to be studied further by the Council of Ministers.

The Cabinet -

2. Took note, with approval, of the statements by the Prime Minister and the Foreign and Commonwealth Secretary.
The Cabinet had before them a memorandum by the Chancellor of the Exchequer and the Secretary of State for Social Services (C(75) 138) about the earnings rule which governed the amount a retirement pensioner might earn before starting to lose benefit.

THE CHANCELLOR OF THE EXCHEQUER said that in the previous Session of Parliament, an amendment to the uprating Bill had been forced upon the Government; the amendment raised the earnings rule limit from £13 a week to £20 a week from April 1975, to £35 from April 1976 and £50 from April 1977. The expenditure this entailed was not of high priority in the social security programme and the Ministerial Committee on Economic Policy had been unanimous in the view that a short Bill should be introduced to substitute £24 (or if necessary £26) for the £35 and thereafter allow the limit to move in line with the movement of earnings in the country at large. To make the change in the April 1976 figure it was essential to get a Second Reading of the Bill before Christmas and Royal Assent before 19 February. If this were impossible, and an amending Bill could only be effective from April 1977, the savings to be had in later years would be greatly reduced and would provide much less justification for the Bill. There were two major problems: could the Bill be fitted into the timetable, and could the Government carry it in the House? On the first, the position might be easier now that Cabinet had decided that the House would not adjourn until Tuesday 23 December. On the second he thought there was a good chance of carrying the Bill since one increase in the earnings rule was already effective as a result of the amendment, and there was now a much better general understanding of the need to contain public expenditure. It would be extremely difficult for the official Opposition to oppose a move which reduced public expenditure, and even if they did so some of their own supporters might well not support them. It could be made clear that if this expenditure were not cut some other expenditure, perhaps of higher social priority, would have to suffer.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the situation on public expenditure in the medium term made it essential to try to obtain these savings. In her view however it would be extremely difficult to get an amending Bill through the House unless the Government were prepared to say that the £50 million which would be saved in 1976-77 would be switched to some other socially desirable purpose. She had proposed to the Ministerial Committee on Economic Policy that a fuel bonus of £10 should be paid in February. This would have cost just over £100 million, and it had been rejected by the Committee. She would be prepared to cut the bonus to £5, which although small would be better than nothing. On this basis she would be willing to talk to the dissident backbenchers to seek to win their acquiescence in an amending Bill.
In discussion it was pointed out that there could be no prospect of giving such a Bill a Second Reading in the week beginning 8 December, the business for which would have to be announced that afternoon to the House. It would, however, be possible for the Bill to be approved by Legislation Committee on Tuesday 9 December and published on 10 December, with the possibility of a Second Reading before the Christmas adjournment; but the programme was already full and something else would have to give way. One possibility would be to delay by a week the Second Reading of the Armed Forces Bill and seek to persuade the Opposition to agree to complete its Second Reading in half a day, leaving the other half of the day available for a Bill on the earnings rule. It must be doubtful whether in fact the Opposition would agree to such an arrangement. Other items in the programme included the Consolidated Fund Bill, which was essential business, a Supply Day, which was in the Opposition's hands, the Rate Support Grant Order, which must be approved, and a day's debate on unemployment, which had been promised. On the question of carrying the Bill, it would obviously be necessary to speak in advance to the backbenchers who abstained or voted against the Government on the last occasion, and it was thought that at least some of them would be willing to go along with the Government's proposal. While it might be difficult for the Opposition to oppose it, the possibility that they might do so could not be ruled out. As regards the suggestion that the savings in 1976-77 might be switched to some other socially desirable purpose, it was strongly represented that it would be wrong to hypothecate savings in this way. Furthermore it would in any case be difficult to switch the saving in a way which did not involve some continuing commitment after the first year: the lesson of the Christmas bonus should not be forgotten. It would be tactically better to indicate that if these savings were not made some other item of desirable public expenditure would have to be cut.

The Prime Minister, summing up the discussion, said that the general view in Cabinet was that an attempt should be made to reverse the effect of the amendment on the earnings rule carried against the Government in the uprating Bill in the previous Session. As a first step the Secretary of State for Social Services and the Chief Whip should see the individual Labour Members who either voted against the Government or abstained on the last occasion, explain the Government's intentions to them and seek their acquiescence. In doing this it would be helpful to indicate that if the Government could not make this change other programmes of public expenditure would have to suffer. The Secretary of State for Social Services should put a Bill forward to Legislation Committee for approval; and the Chief Whip should consider what re-arrangement of the Parliamentary programme between now and Christmas could be made to accommodate a Second Reading of the Bill. It was noted that, to be effective in April 1976, the remaining stages of the Bill would need to be given priority after the Christmas Recess so as to ensure Royal Assent by 19 February.
The Cabinet -

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

2. Invited the Secretary of State for Social Services and the Chief Whip to speak accordingly to the Labour backbenchers who voted against the Government or abstained on the previous occasion.

3. Invited the Secretary of State for Social Services to put an amending Bill to Legislation Committee.

4. Invited the Chief Whip to consider how such a Bill might be found a place in the Parliamentary programme to enable a Second Reading to be given before Christmas.

4. The Cabinet's discussion and the conclusions reached are recorded separately.

Cabinet Office

4 December 1975
The Cabinet considered memoranda by the Secretary of State for Industry (C(75) 139), the Secretary of State for Employment (C(75) 140 and 141), and the Secretary of State for Scotland (C(75) 142), on the future of Chrysler (UK) Ltd.

THE SECRETARY OF STATE FOR INDUSTRY said that at the last meeting of the Cabinet he had been invited to continue negotiations with the Chrysler Corporation on the scheme of support for the contraction of Chrysler (UK) Ltd, listed as scheme B in the annex to his memorandum C(75) 128, and to put in hand a number of studies. Two further meetings had been held with the Chairman of Chrysler Corporation. The first at Ministerial level, at which the Minister of State for Scotland and the Paymaster General together with officials from the Central Policy Review Staff (CPRS) and the Prime Minister's office had been present, and the second at official level. The Chrysler Corporation had refused to make any increase in their financial contribution or to reveal the basis of their offer. With the agreement of the Minister of State for Scotland, Coopers & Lybrand had been engaged to form an independent assessment of the costs and prospective viability of scheme B. Their verdict was that it was not viable. The Secretary of State for Scotland had questioned whether this was the right conclusion to draw from their report but they had directly agreed to the use of these words. As the Cabinet had requested he had consulted the chairman of British Leyland (BL) on the question of whether they could expand their output by taking over some of the assets of Chrysler (UK) Ltd, and in particular whether they might use the Linwood facilities to expand production of Land Rovers. BL were strongly opposed to this; the only parts of Chrysler's business in which they might have an interest would be the Iranian contract, certain test facilities and some of the dealerships. Both he and the Chairman of the National Enterprise Board considered that if scheme B were to be adopted this would be damaging to British Leyland, while Ford and General Motors had warned him that support for Chrysler could put the plans for their British companies in jeopardy.
The Cabinet had invited him, in consultation with the Secretary of State for Employment to seek the views of trades union leaders on the possible courses open to the Government. This he had done. The union officials had been appalled at the prospects which had to be faced. Although the merits of scheme B had been made clear to them they had spontaneously and uncompromisingly rejected it and said that it would be unacceptable to all Chrysler employees. They had commented that the contracted company envisaged in scheme B was too small to be viable and would collapse within two years and that the right course for the Government was to make no deal with the Chrysler Corporation but force them to take the odium for the closure. The Government should however take steps to provide alternative employment, should pay the wages of all Chrysler workers for six months while other plans were produced and should impose restrictions on the imports of cars. It was true that no Scottish trade unionists had taken part in the meeting but the composition of the trades union party had been left, rightly in his view, to the General Secretary of the Trades Union Congress. It was clear that, whatever the views of Scottish trade unionists, the representatives of the workers at Ryton were not prepared to agree to any arrangements which sacrificed jobs at their plant to bring employment to Scotland.

During the past four weeks he had examined many options for dealing with the Chrysler problem. If there were any prospect of restoring Chrysler (UK) Ltd to viability he would have put a proposal forward immediately, even if it involved large expenditure; but he had concluded with great reluctance that none of the options could be supported. He warned the Cabinet that the timing of a decision was not entirely in their hands: there was nothing to stop the Chairman of the Chrysler Corporation making an announcement at any time he wished.

The Secretary of State for Employment said that while he did not quarrel with the Secretary of State for Industry's report of their joint meeting with trades union officials he did not consider that its conclusion was so clear cut. The union representatives had all been angry about Chrysler's behaviour but he believed that if they were brought to recognise that scheme B was the only alternative to closure of the entire company they would not oppose it. On the central issue he came to a different conclusion from the Secretary of State for Industry, principally because of his concern for the consequences in Scotland. Closure of Linwood would make far worse a situation which was already bad and would put in jeopardy the whole of the Government's position in Scotland. The Government could not put all the blame for closure on Chrysler. It would inevitably become public knowledge that the Corporation had been prepared to make a large contribution towards the costs of saving a substantial number of jobs and that this proposal had been rejected by the Government. Closure would mean the loss of
55,000 jobs; the costs, £150 million in unemployment pay and loss of taxes and £30 million for a redundancy scheme, were higher than the highest estimate of the cost of proceeding with scheme B. While it might be that some further contraction would have to follow at additional cost the scheme would both permit a slower rundown and have a lower initial cost. There should be further investigation of whether it could go ahead without the physical transfer of machinery from the Midlands. The Government should not be pressed to an ill-considered decision by Chrysler. They should take at least a further week to consider what further improvements could be made to scheme B.

THE SECRETARY OF STATE FOR SCOTLAND said that a decision on this matter could not be taken without full regard to the political consequences which it would bring in Scotland. The Linwood plant had a symbolic importance. The Government's proposals for devolution had been widely criticised in Scotland on the grounds that insufficient economic powers were to be developed and because of the overriding powers to be retained at Westminster. They had been attacked not only by the Opposition but also by the Scottish Trades Union Congress. If the Government announced that it supported total closure of Chrysler (UK) Ltd when there was the alternative of preserving a part of it their position would be indefensible. He had noted that at the previous meeting of the Cabinet the Chrysler Corporation had been quoted as describing scheme B as "politically viable, but not economically viable". Mr Riccardo himself denied having said that and believed that it was both politically and economically viable. When a scheme had been considered by the Industrial Development Advisory Board (IDAB) they had divided equally on it, but this was on the assumption that if Chrysler made any contribution to its costs it would be no more than £10 million. Now Chrysler were offering £35 million, and the waiving of debts of £20 million. The Government contribution would be £43 million: the cost to the Government of closure would be £180 million. The report by Coopers & Lybrand did not itself say that scheme B was not viable. As to the consultation with the trades unions he felt that it was unfair to have expected an immediate reaction. While the union leaders had opposed scheme B this view had to be read against their desire for nationalisation of the complete company as had happened with British Leyland. It would not be right to decide against scheme B because it might involve industrial disputes at one plant. If the closure went ahead there would be industrial trouble at every Chrysler plant and the situation in Scotland would be exacerbated by the knowledge that there had been a continuous outflow of job opportunities to England. He believed that the Government's approach had been over-influenced by the CPRS report. He believed that it was necessary to get closer to the Chrysler Corporation by further negotiations, to look further at the options, and to have further and wider talks with the trades union movement.
In discussion, it was argued that some parts of Chrysler (UK) Ltd's business could be continued profitably - the contract with Iran which could have large consequences for the balance of payments, the commercial vehicle business, the Avenger engine and the spare parts business. It would be a mistake to allow these worthwhile activities to be closed because the company as a whole was unviable. The Chrysler Corporation would not themselves be proposing a contraction rather than a closure if the contracted company had no prospect of viability. The report by Coopers & Lybrand was not totally unfavourable to scheme B. On the other hand it was argued that if the Government supported one unviable company because of the fear of consequences of closure this would lead to a series of other such cases. A number of options had already been explored over the previous 4 weeks. Whatever might be the viability of scheme B, it was not feasible because it involved the movement of work from the Midlands to Scotland. If the closure went ahead now the odium for it would at least be shared with the Chrysler Corporation. If the Government took over the Company any subsequent closures would be its responsibility alone, yet if the contraction plans led to industrial disputes the plans might have to be abandoned within a month or at some time later when it was even more difficult for the Government. There would always be strong arguments against taking a painful decision but if it were not faced the Government's industrial and economic policies would be discredited. The issue of devolution could not justify continual measures to appease the nationalist movements. There was already a strong backlash in England against the proposals on devolution and additional concessions would mean that the devolution legislation would not be passed.

In further discussion it was questioned whether the cost comparisons which had been quoted were correct. If scheme B were supported it would defer but not avert the costs of closure, these should therefore also be taken into account and the eventual cost would be in the region of £260 million. Furthermore if scheme B went ahead some two fifths of Chrysler's employees would still become redundant and in consequence costs of £60 million, two fifths of the costs of complete closure, would still fall on the Government. It was also questioned whether the estimated costs of closure took sufficient account of the increase in employment by other British manufacturers which could follow the imposition of import controls and whether it was right to assume that there would be a net increase of unemployment of 55,000 for a complete year.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet would need to resume their discussion the following day. The arguments which he had heard so far did not seem to him to answer completely the case made by the Secretary of State for Industry. Before the discussion was resumed however some additional course of action should be investigated urgently. First
the Government might itself take over Linwood and arrange the production and marketing of Land Rovers and Range Rovers. If an order was placed on the Government's account there might be good prospects of the vehicles being sold overseas when world economic activity increased. The armed forces might also increase their purchases. The second course would be to insist that if Chrysler closed the Linwood plant should be transferred free of charge to the Government. This would give some assurance at least that the Government would make every effort to ensure that alternative employment was brought there at the earliest possible moment. It would also be helpful if the Chancellor of the Duchy of Lancaster would involve himself, before their next meeting in an examination of the practicability of securing the continued operation of those parts of Chrysler's business which had a viable future. In doing so he should concentrate particularly on the possibility of preserving employment at Linwood.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion and agreed that it should be resumed at their next meeting.

2. Invited the Secretary of State for Industry to study, before the next meeting, the possibility of producing Land Rovers and Range Rovers at Chrysler's Linwood plant on the basis of a Government order for those vehicles. He should also study the possibility of insisting on the transfer of the Linwood plant to the Government in the event of the closure of Chrysler (UK)Ltd.

3. Invited the Chancellor of the Duchy of Lancaster, in consultation with the Secretary of State for Industry, to explore the practicability of maintaining in operation those parts of the business of Chrysler (UK) Ltd which were profitable in the event of the closure of the company as a whole, to concentrate particularly on the possibility of continuing some of the operations at Linwood; and to report to the Cabinet at their next meeting.

Cabinet Office

4 December 1975