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Conclusions

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CABINET

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

TUESDAY 16 MARCH 1976

at 11.00 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 Item 2 and part
of Item 3)

The Rt Hon James Callaghan MP
Secretary of State for Foreign and
Commonwealth Affairs
(In the Chair for part of Item 3 and
Items 4 and 5)

The Rt Hon Lord Elwyn-Jones
Lord Chancellor

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

The Rt Hon Denis Healey MP
Chancellor of the Exchequer
(Items 1 and 3-5)

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

The Rt Hon Michael Foot MP
Secretary of State for Employment

The Rt Hon Anthony Wedgwood Benn MP
Secretary of State for Energy

The Rt Hon Shirley Williams MP
Secretary of State for Prices and Consumer
Protection (Items 1 and 3-5)

The Rt Hon Barbara Castle MP
Secretary of State for Social Services
(Items 1 and 3-5)

The Rt Hon Eric Varley MP
Secretary of State for Industry

The Rt Hon Peter Shore MP
Secretary of State for Trade

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 John Morris QC MP
Secretary of State for Wales

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

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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 Fred Mulley MP
Secretary of State for Education and Science

The Rt Hon Robert Mellish MP
Parliamentary Secretary, Treasury
(Items 1, 3 and 5)

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

ALSO PRESENT

The Rt Hon Joel Barnett, MP
Chief Secretary, Treasury (Items 3-5)

SECRETARIAT

Sir John Hunt
Mr J A Hamilton (Items 3-5)
Mr W I McIndoe (Item 2)
Mr A D Gordon-Brown (Item 2)
Mr C J Farrow (Items 3-5)

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PRIME MINISTER'S
INTENTION TO
RESIGN

1. THE PRIME MINISTER informed the Cabinet in the following terms of his intention to resign as Prime Minister as soon as the Parliamentary Labour Party could choose a new Leader.

"I have just returned from the Palace where I had an Audience of The Queen. I formally confirmed to her a decision of which I had apprised her early in December, that in March of this year I would intend to make way for a successor, and that I would resign as Prime Minister as soon as the Parliamentary Party had completed the necessary constitutional procedures for electing a new Leader.

"In March 1974 I decided that I would remain in office for no more than two years. I have not wavered in this decision and it is irrevocable. Indeed I had originally intended that it should take effect last September, but decided to defer it because of the paramount importance of ensuring the national acceptance and success of the counter-inflation policy the Government announced last July.

"I must, of course, inform my colleagues of my reasons:

"First, I have been Leader of this Party for over 13 exciting and turbulent years - nearly eight of them in Government. My period as Prime Minister has been longer than that of any of my peacetime predecessors in this century. These years of office spanned a period when Britain, nationally and internationally, had to face storms and challenges without parallel in our peacetime history.

"But it is not only those last 13 years; in 31 years in Parliament I have been on one or other Front Bench for nearly 30 years - for almost 11½ years in Cabinet. No one should ask for more.

"To have led four Administrations, dedicated not only to solving the nation's economic problems but also to achieving a higher level of social justice and equality than our people have ever known, is a privilege conferred on very few men.

"Second, I have a clear duty to the country and to the Party not to remain here so long that others are denied the chance to seek election to this post. This is the most experienced and talented team in this century, in my view transcending that of Campbell-Bannerman 70 years ago. I am proud of that. A leadership election will do good in showing the country the wealth of talent in our ranks.

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"The fact that I am leaving shortly after my sixtieth birthday has no bearing on the choice to be made. I have reached sixty after 13 years' Party leadership, nearly eight of these in Downing Street. Some of my most distinguished predecessors were either just below or just over that age on becoming Prime Minister, including Clem Attlee, Winston Churchill, Harold Macmillan and Alec Douglas-Home in our own time. The fact that I began early and have borne the responsibility of this office for so long means that sixty is the right age for me to promulgate a change.

"Third, it is my view that my successor should be in post now, to impose his or her style and to work out the strategy for the remaining years of this Parliament. But I am certain that the new Administration will assert the same determination and dedication in our counter-inflation policies in this country, as we have unitedly shown to the world. Equally I am totally convinced that no conceivable reconstruction of the Cabinet could in any way lead to a weakening in our resolve to fulfil in full measure our commitment to our allies and partners overseas.

"Fourth, there is a danger, to which I have been alerted all my working life. It is that, in times of rapid change, you may be faced with a decision which, perhaps in different conditions, you have faced before. If, on the earlier occasion you considered and rejected a particular course of action, there is a tendency to say you have been into that, so that you do not give the fresh consideration the circumstances may require. I am determined not to succumb to this danger.

"I want to make it quite clear, with the agreement of all my Cabinet colleagues, that these reasons represent the total explanation of my decision. There are no impending problems or difficulties - economic or political - known to the Cabinet, which are not known to the country and which are not already the subject of the political discussion of our times.

"Now I want to express my warm thanks to my colleagues, not only for their work and achievements, but for the fact that in all my four Administrations these have been happy Cabinets. We have faced problems far more daunting than any Cabinet in our post-war history, and those problems have been met with more courage, more determination, more imagination and more comradeship and unity than by any Cabinet of which I have knowledge. I have in fact presided over 472 Cabinets and thousands of Cabinet Committees. I have answered more than 12,000 Parliamentary Questions.

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"I am proud of the achievements of these past two years.

"We remember what we faced when we were recalled to office a little over two years ago. It was not only the economic paralysis. There was a widespread anxiety in the country that even the "governability" of Britain was in doubt. It is not in doubt today, because the economic and social governance of Britain has been established on the basis of the consent of the people.

"We have created a new relationship between Government and people to replace the clash and confrontation which two years ago almost brought this country to disaster.

"This is a far more united and determined people now than for many years.

"Our counter-inflation policies have been accepted by the great majority of the nation. Our counter-inflation target for the end of this year is now in sight of achievement.

"In 1975 the current account deficit on our balance of payments was less than half the deficit in 1974, even though we have had to meet - and had to meet in a period of unprecedented world economic problems - the five-fold increase in the price of the oil we import.

"The value of our exports is rising strongly - by 4 per cent in the last three months compared with the previous three months - and at a much faster rate than imports.

"For two years we have had to face the consequences of world inflation and world unemployment. But now the economy is beginning to revive. Business confidence is higher than at any time since the autumn of 1973. There are growing signs that the rate of increase in unemployment is running at a very much smaller level than last year, particularly the last three months of last year.

"We inherited a dangerously distorted and unbalanced economy. We are beginning to get it right.

"For the first time, industrial problems are being tackled by relevant micro-economic action in place of an over-reliance on clumsy and often ineffective macro-economic lurches; through NEDC and direct action to restructure and modernise particular industries through NEB and specific sectoral actions to strengthen our economic base, which is manufacturing industry.

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"We have embarked on the biggest programme of industrial training and re-training in our history.

"We have carried through the greatest-ever improvements in the standards of pensioners and others dependent on the social services, particularly the disabled, previously so neglected.

"We inherited the lowest housebuilding figures since the 1950s; we have restored the housing programme to over 300,000 houses a year.

"In world affairs our relations with the United States, with European countries, East and West, and with the Commonwealth, are better than for many years. Our membership of the European Community has been confirmed. Our relations with the United States were recently described by President Ford as being "as good as they have ever been".

"Now, for the future.

"Later this morning I will meet the Chairman of the Parliamentary Labour Party, and propose that he calls a special meeting of the Party this evening, to put forward the Liaison Committee's suggestions for the leadership election, so that nominations may be invited forthwith. I would hope that they may be able to devise procedures which enable full consideration to be combined with all reasonable speed - certainly more expeditious than the somewhat leisurely weekly procedures of the past.

"I shall play no part in that election apart from casting my own vote by secret ballot. Nor will I seek to influence a single Member of the Party in his vote.

"I shall remain in Parliament as long as my constituency will put up with me. I have not been inactive on behalf of my constituents. I hope to see more of them and put in more time on their behalf. I am above all a Parliamentarian. I love Parliament and want to go on serving it and serving in it.

"I shall not go into industry or take paid employment.

"I shall not accept the headship or other office in any place of learning, apart from my present relationship with the University of Bradford. I may give occasional lectures here or abroad, as I have for many years, but not to the detriment of my Parliamentary work.

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"I want to say this to my successor, whoever he or she may be.

"This is an office to cherish; stimulating and satisfying. You will never have a dull moment; you will never get bored. But it is a full-time calling. These are not the easy, spacious, socially-orientated days of some of my predecessors. Apart from quite generous holidays - when, thanks to modern communications, I have never been more than moments away from Downing Street - I have had to work seven days a week at least 12 to 14 hours a day. But the variety and interest - with, usually, at least 500 different documents or submissions to read in an average weekend after a busy week - means that you do not get bored; consequently, you do not get tired.

"Every Prime Minister has his own style. But he must know all that is going on. Even if he were tempted to be remiss in this, the wide-open nature of Prime Minister's Questions - entirely different from that of any departmental Minister - requires familiarity with, and understanding of, the problems of every Department and every part of the country.

"More than that, the price of an Administration's continuance and success is eternal vigilance - on duty or on call every minute of the day. Yet you must find time enough to stand back and think about the problems of the Administration, its purpose, its co-ordination and its longer-term strategy. Equally you have to watch for that cloud no bigger than a man's hand which may threaten not tomorrow's crisis, but perhaps next month's or next year's. In all this you have got to think and feel politically as well as in constitutional and administrative terms.

"It is not only the job here in Westminster, Whitehall and Parliament. It is the job in the country. The leader of the Party, and no less the Prime Minister, has a duty to meet the people, to address political and other meetings. For 13 years I have averaged well over 100 a year, covering nearly every constituency, some of them many times.

"You will be able to count on my full support, especially when the going is rough.

"My advice and experience is available when you seek it: I do not intend to offer gratuitous advice.

"I will give any help I can in any form you ask, inside the House, in the Parliamentary Party, and in the country, apart from accepting a Ministerial appointment.

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"In particular, I shall be guided by the letter and spirit of the undertaking which a pre-war predecessor gave when he stood down for a successor, who was in fact chosen - not elected as is our rule - "Once I leave, I leave. I am not going to speak to the man on the bridge, and I am not going to spit on the deck".

"I am confident that this brief election period will be comradely and not divisive.

"In this period every Minister will be expected to put his full effort into his Departmental and Cabinet duties. I will, of course, remain in full charge of the Administration until the electoral process is completed, exercising all the rights and duties of a Prime Minister to take any action that is needed.

"I am confident that a new Prime Minister in taking over will enjoy from his Cabinet the same loyalty, support, understanding and even, when required, forgiveness, that it has been my privilege to enjoy.

"My only advice to him and the Cabinet he forms - and I am sure this advice is not necessary - is to get out into the country, meet the people, tell them, explain to them, listen to them; and above all remember the Party is the Party in the country - not the Palace of Westminster, not Smith Square.

"In return I would ask the Party everywhere - and I hope that our Press friends, all of whom I forgive, will allow me to say this to them as well - that in all circumstances all concerned will comply with the spirit of the Speaker's Petition to The Queen on behalf of the Commons when a new Parliament meets: "That the most favourable construction may be placed on all your proceedings". "

The Prime Minister said that he wished to emphasise that the timing of this matter was not related to any recent events. He had considered resigning before the last Party Conference and then again at Christmas: but he had felt it necessary to remain in order to lead the campaign for acceptance of the pay policy set for the year from the end of July 1975. If he had delayed any longer however this would have posed problems in relation to the negotiations for the second round of counter-inflation policy. He had therefore decided as long ago as last December that middle or late March would be the right moment. This marked in effect the turn of the hinge when the 1975 counter-inflation policy was fully established and the 1976 policy was about to be worked out. He had not announced his intention on his

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sixtieth birthday because this coincided with two by-elections, and he had also had to take into account the situation on the foreign exchange market. The sterling rate had now steadied, but it would clearly be of the greatest importance to present very fully the reasons for his decision and thus avoid any speculation that it arose from anything other than the original decision which he had taken in March 1974 that he would not remain as Prime Minister for more than two years. He proposed therefore to release to the Press the text of the statement which he had just made to the Cabinet. Suitable messages were being sent to some foreign Heads of Government and to certain other persons, including the Governor of the Bank of England, who needed to be informed without delay. He proposed to absent himself from the rest of the meeting in order to inform the Chairman of the Parliamentary Labour Party and ask him to set in hand the necessary constitutional procedures for electing a new Leader.

THE LORD PRESIDENT OF THE COUNCIL said that the Cabinet had listened to the Prime Minister's statement, which to their regret he had said was irrevocable, with very great sadness. They were indeed stunned: and at this stage he could only convey to the Prime Minister their very heartfelt thanks for everything which he had done for them.

THE FOREIGN AND COMMONWEALTH SECRETARY agreed that this was not the time for tributes to the Prime Minister who would continue to direct their counsels until a new Leader had been chosen. He wanted however to add that history would deal even more kindly with the Prime Minister than his contemporaries. It was sometimes said that the Prime Minister had displayed a unique facility in keeping the Labour Party together: but it had also to be remembered that in maintaining a united Party, as with his success on other matters, the Prime Minister had served the nation well.

The Cabinet -

1. Took note, with regret, of the statement by the Prime Minister.
2. Took note, with warm approval, of the statements by the Lord President and the Foreign and Commonwealth Secretary.

THE LAW ON
CONSPIRACY

Previous
Reference:
GC(76) 8th
Conclusions,
Minute 5

2. The Cabinet resumed their discussion of the timing of the Government legislation which would follow the Law Commission's report on the law of conspiracy in England and Wales, which was to be published the following day.

THE HOME SECRETARY said that on 4 March the Cabinet had invited the Lord President and himself, with the other Ministers concerned, to consider urgently by what means it might be possible to enact Part I of the Law Commission's draft Bill this Session. Before this discussion he had met representatives of the Trades Union Congress (TUC). This had been a very small, low-level deputation, whereas earlier TUC deputations on related matters had been large and high-level. He had explained the position to the deputation and asked them whether, given a choice, they would prefer legislation this Session or next. They had recognised that the Law Commission's proposals were complicated, and appeared to be disposed to accept the need for further study with a view to legislation next Session. The Lord Chancellor and the Attorney-General now took the view that it would be impracticable to limit the legislation to Part I of the Law Commission's proposals, dealing with conspiracy generally. In the circumstances he thought it would be better not to proceed with immediate legislation, which would involve the risk of a botched Bill getting bogged down in Parliament, although if the TUC were subsequently to urge legislation this Session it would be necessary to have another look at the position. He proposed that, after publication of the report, the Government should indicate their intention of legislating early next Session, at least on Part I.

THE LORD CHANCELLOR said that he agreed with this course. In his view, it would be impracticable, almost to the point of impossibility, to reform the present law on conspiracy generally, as in Part I, while maintaining the corresponding law in relation to squatting and obscenity by deferring action on Parts II and III of the Law Commission's proposals. Ministers had not yet fully discussed the major points of policy which arose on Parts II and III, and public reaction to these proposals would be important.

THE LORD PRESIDENT OF THE COUNCIL, summing up a brief discussion, said the Cabinet agreed that, about a week after the publication of the Law Commission's report, the Home Secretary should announce the Government's intention, following consultations with interested bodies, to legislate at the start of next Session, certainly on Part I of the Law Commission's proposals and, subject to public reactions, on Parts II and III. The Home Secretary would also arrange for any guidance to the Press which might be necessary between publication of the report and the Government announcement.

The Cabinet -

Took note, with approval, of the summing up of their discussion by the Lord President of the Council, and invited the Home Secretary to proceed accordingly.

THE
NEWSPAPER
INDUSTRY

3. The Cabinet considered a memorandum by the Secretary of State for Trade (C(76) 30) on the interim report by the Royal Commission on the Press.

THE SECRETARY OF STATE FOR TRADE said that the Royal Commission on the Press had been asked in September 1975 to produce an urgent interim report on the financial situation and prospects for the national newspaper industry because of widespread fears that one or more national newspapers might close while the Commission was pursuing its general remit. The interim report was to be published the following day. The essence of its recommendations was that reduction of costs by introduction of new equipment and agreed reduction of manpower was the only way to secure an early improvement in the industry's financial position. The Royal Commission saw joint discussions which were being held between management and unions as a major opportunity for promoting these changes. They rejected any general subsidy for the Press and considered that most national newspapers could borrow from the private sector to finance the capital investment and the redundancy payments which would be involved. They had however recommended that newspapers unable to borrow from the private sector should be permitted to borrow from the Government and that, in addition, the Government should provide a measure of interest relief on all borrowing for this purpose from whatever source. The interim report had been considered by a meeting under the Prime Minister's chairmanship which had agreed that the report should be broadly welcomed. The impetus provided by the report and by the agreement in principle already reached between the management and the trades unions provided a unique opportunity for bringing about radical change by agreement in an industry which had a history of failure to agree on such matters. However the draft statement which he proposed to make, and which was attached to C(76) 30, avoided any commitments on the Government to provide assistance. These could not be given until more details were available and a more detailed agreement had been reached between management and unions.

In discussion it was questioned whether it was necessary for any substantial statement to be made at the time of publication of the report. Agreement even in principle to provide public funds to the newspaper industry raised important issues, for example as to conditions which should be imposed, which needed to be fully considered. On the other hand it was argued strongly that the Government had requested a report to be made as a matter of urgency and that it was incumbent on them to give some indication of their views as soon as it was published.

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In further discussion it was pointed out that the Commission had envisaged two distinct forms of assistance to the industry. Firstly they had recommended that newspapers which were unable to raise loans from commercial sources should be provided with loans from public funds. Secondly they had recommended that all loans, from whatever source, should receive an interest subsidy from the Government for 2 years. The first of these raised problems in relation to the Government's industrial strategy, for it required the Government to provide assistance to companies which were not sufficiently credit-worthy to borrow on the commercial market. The use of Section 8 of the Industry Act 1972 would cause particular problems, and no commitment should be given on this. There were still more serious objections to the second recommendation and there was a strong case for making clear from the outset that there was no question of the Government providing such a subsidy. On the other hand it was strongly argued that the provision of a loan from public funds to those newspapers unable to borrow from commercial sources was an essential element in the Royal Commission's recommendations. Their objective had been to ensure that all newspaper houses moved together; if some pursued an independent course the failures to modernise which had been characteristic of the past were likely to be repeated. Given the seriousness of the condition of the industry it was necessary to preserve the momentum which had been brought about by the work of the Royal Commission and to this end some call on public funds might be necessary. The Commission justified the recommendation for an interest subsidy on similar grounds but on this issue their case was much less strong, and it would be right for the Government to be wholly non-committal. The possibility of such a limited subsidy should not, however, be ruled out.

THE FOREIGN AND COMMONWEALTH SECRETARY, summing up the discussion, said that the Cabinet were agreed that it would be right for the Government to make a statement of their attitude to the Royal Commission's report at the time of publication on the lines of the draft attached to C(76) 30. There was however a wide measure of agreement that no commitment should be given to the provision of public funds, particularly for an interest subsidy. The general view was that an appropriate amendment to the draft statement would be to delete the words "but, above all, in present financial circumstances, when the availability of public funds must necessarily be very limited, it is imperative for all concerned to have the measures of the figures involved," from the second page of the draft statement. The Secretary of State for Trade should consider this proposal and advise the members of the Cabinet urgently in correspondence if he were not able to accept it. If pressed on the question of an interest subsidy, the Secretary of State should take a negative rather than a positive line; he should also avoid accepting that Section 8 of the Industry Act 1972 would be used if assistance were to be provided.

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The Cabinet -

1. Took note, with approval, of the Foreign and Commonwealth Secretary's summing up of their discussion.

2. Approved the draft statement attached to C(76) 30, subject to the amendment indicated in the Foreign and Commonwealth Secretary's summing up of their discussion.

STATEMENT
BY THE
CABINET
ABOUT THE
PRIME
MINISTER'S
RESIGNATION

4. During a brief further discussion, in the absence of the Prime Minister, about the Prime Minister's intention to resign the suggestion was made that, while any formal tributes could more appropriately come later, the Cabinet during their present meeting should issue a short statement. This was desirable on two grounds: firstly, to express the Cabinet's sense of loss and its profound gratitude to the Prime Minister for the unique service he had given over 13 years, and secondly to underline the point that this was a personal and irrevocable decision of which the Cabinet had no foreknowledge.

Following further discussion the Cabinet considered the following draft statement:-

"Cabinet this morning learned with deep regret of the wholly unexpected message which the Prime Minister had earlier conveyed to The Queen. They would have wished it otherwise. They must respect what he has described as a personal and irrevocable decision. The Prime Minister has carried the burdens of leadership with outstanding wisdom and dedication. The whole Cabinet wishes to place on record immediately its sense of loss and its profound gratitude to Harold Wilson for the unique service he has given to his country and his Party over the past 13 years".

The Cabinet -

Approved the statement and instructed the Secretary of the Cabinet to arrange for its immediate release to the Press.

5. The Cabinet considered a memorandum (C(76) 24) by the Secretary of State for Industry on the future prospects for the shipbuilding industry.

THE SECRETARY OF STATE FOR INDUSTRY said that the Ministerial Committee on Economic and Industrial Policy had recently considered the future prospects of the shipbuilding industry and had agreed that he should make a report to the Cabinet. In his view this was the most severe industrial problem facing the Government. Market conditions were extremely difficult with world demand for ships at present only 25 per cent of world capacity. As a result of the energy crisis no new tankers would be needed for some years and as a result of the world recession the demand for dry cargo ships had fallen sharply. The British industry was uncompetitive - Japanese yards were quoting prices 50 per cent below those of British yards while European prices were 20 per cent below British. The Japanese industry already had 50 per cent of the world market and on present trends would soon have 80 per cent. The British industry had secured only 1 new order since October 1975 and Govan Shipbuilders Ltd, as an example, had taken no orders since the middle of 1974. The industry at present employed some 70,000 directly and probably as many again indirectly. The employment was heavily concentrated in areas already faced with serious unemployment problems. If no further orders were taken this employment would fall by a half by the end of 1977 and would bring unemployment in the areas affected to 20 per cent. The prospects were that it might run at this level well into the 1980s. There seemed no prospect of alternative jobs being created at the next economic upturn since the areas affected would also be facing at the same time the rationalisation of the steel industry and the contraction of the aircraft industry. Those unemployed would be almost all males and the local problems would be the worse because the shipbuilding industry had traditionally been a major source of apprenticeships. The Bill for the nationalisation of the industry was making satisfactory progress through the House of Commons and was no longer being very strenuously opposed. However there was no point in continuing with the Bill unless steps were taken to secure further orders for the industry. In any event the future contraction of the industry would be blamed on nationalisation. He proposed that, in a joint approach with the Secretary of State for Trade, he should put the strongest pressure on British shipowners to place more orders in British shipyards. While proper regard needed to be given to the interests of the shipping industry it had to be remembered that they had benefitted in the years 1967-76 from investment grants of £586 million, of which £458 million had been towards orders placed in foreign shipyards. Although investment grants were being phased out a further £80 million had been paid the previous year and even now the industry were able to charge depreciation of 100 per cent in the first year for ships ordered abroad. If the voluntary approach he proposed did not bring adequate results more drastic measures, such as legislation or fiscal measures would need to be seriously considered. The alternative, that a major

shipping nation should have its shipbuilding industry destroyed, was intolerable. Apart from measures to secure new orders work was already in hand on a special redundancy scheme, to be financed directly by the Government, to alleviate the social consequences of the contraction of the industry. This did not however need to be considered at the present stage.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that while the Secretary of State for Industry's report did not cover the industry in Northern Ireland the same difficulties arose. Consideration was being given to a reduction in the labour force at Harland and Wolff from 9,000 to 4,000 men. He was wholly in agreement with the Secretary of State for Industry and considered it would be indefensible to permit the threatened reduction of the industry.

In discussion there was general agreement on the gravity of the problems facing the shipbuilding industry and of the need for action to ensure that it was maintained. It was argued that it would be wholly against the national interest to allow the destruction of the resources of skill which had been built up in the industry and that redundancies on the scale threatened were intolerable in the areas in which the industry was concentrated. It was however pointed out that the surplus of shipping capacity in the world would severely limit the amount of new orders to be placed and the industry would be faced with very acute overseas competition for many years. The shipbuilding industries in other countries, notably Japan and Sweden, were much more efficient. Restrictive practices and poor management in the British industry had seriously damaged its prospects. There would be advantage in a major effort being made to bring home to all those who worked in the industry, not merely the trades union leaders, the difficulties which the industry faced.

While there was general support for the proposal for pressure to be brought on the British shipping industry to place further orders it was argued strongly that the scope for securing orders in this way was limited. The shipping industry now had a modern fleet and still had 3 million tons awaiting delivery from British shipyards. They could not be forced to order ships they did not need. There was no point in adopting measures to rescue the shipbuilding industry which might seriously damage the prosperity of the shipping industry. The difficulties in shipbuilding were faced not only by the British but by the European and indeed the whole world industry. There was a case for action within the European Economic Community both to concert action to deal with Japanese competition and also to deal with the structural unemployment problems faced in a number of Member States. A Community-wide approach could both be beneficial to the British industry and avoid the difficulties which would be faced if Britain pursued a purely national approach.

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In further discussion it was pointed out that the Ministry of Defence would need to place a substantial order for ships in coming years. Their planned programme, amounting to £120 million per annum included 2 large fleet tankers, an underwater research vessel, and fast patrol craft. It would be possible for these orders to be brought forward, and to be placed outside the specialist producers, but this would depend on funds being made available outside the existing provisions for the Ministry of Defence.

THE FOREIGN AND COMMONWEALTH SECRETARY, summing up the discussion, said that the general view of the Cabinet was that action must be taken to prevent the destruction of the shipbuilding industry. It would be absurd for a major maritime nation to become wholly dependent on overseas suppliers of ships. The Secretary of State for Industry had proposed a variety of measures which might be taken and this action should be kept under review by the Ministerial Committee on Economic and Industrial Policy. The proposal that pressure should be put upon British shipowners to place further orders in British shipyards was approved but the possibility that this might be followed by further steps would need careful consideration. The Ministerial Committee on Economic and Industrial Policy should also examine the possibility of defence orders being brought forward. While the consequences for public expenditure would cause difficulty for all Ministers this would be true of most of the courses of action which were open. The Committee should also take up very actively the question of an initiative within the European Economic Community. This might cover not merely action to deal with the intense competition from Japan but also action on a Community level to deal with the structural unemployment in the industries within Europe. The Secretary of State for Industry, in consultation with the Secretaries of State for Employment and Scotland should consider how best to bring home to all those who worked in the industry, the severe problems which had to be faced. The Ministerial Committee should arrange to make a further report to the Cabinet on all these proposals at an early date.

The Cabinet -

1. Took note, with approval, of the summing up of their discussion by the Foreign and Commonwealth Secretary.
2. Instructed the Secretaries to arrange for the Ministerial Committee on Economic and Industrial Policy to consider further the proposals outlined in the summing up.
3. Invited the Secretary of State for Industry in consultation with the Secretaries of State for Employment and for Scotland to consider how best to bring home to all those in the industry the severity of the situation.

Cabinet Office

16 March 1976

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