

E(79) 17th Meeting

COPY NO

57

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at  
10 Downing Street on  
TUESDAY 4 DECEMBER 1979 at 10.50 am

PRESENT

The Rt Hon Margaret Thatcher MP  
Prime Minister

The Rt Hon William Whitelaw MP  
Secretary of State for the  
Home Department

The Rt Hon Lord Carrington  
Secretary of State for Foreign  
and Commonwealth Affairs

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer

The Rt Hon Sir Keith Joseph MP  
Secretary of State for Industry

The Rt Hon Lord Soames  
Lord President of the Council

The Rt Hon James Prior MP  
Secretary of State for Employment

The Rt Hon Michael Heseltine MP  
Secretary of State for the  
Environment

The Rt Hon John Nott MP  
Secretary of State for Trade

The Rt Hon David Howell MP  
Secretary of State for Energy

The Rt Hon John Biffen MP  
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Lord Hailsham  
Lord Chancellor (Items 1 and 2)

The Rt Hon Francis Pym MP  
Secretary of State for Defence

The Rt Hon Nicholas Edwards MP  
Secretary of State for Wales  
(Items 3 and 4)

The Rt Hon Patrick Jenkins MP  
Secretary of State for Social  
Services (Item 4)

The Rt Hon Norman St John-Stevas MP  
Chancellor of the Duchy of  
Lancaster (Items 1 and 2)

The Rt Hon Angus Maude MP  
Paymaster General  
(Item 4)

The Rt Hon Sir Michael Havers QC MP  
Attorney General (Item 4)

The Rt Hon Norman Fowler MP  
Minister of Transport

Earl of Mansfield  
Minister of State  
Scottish Office  
(Items 3 and 4)

Earl Ferrers  
Minister of State  
Ministry of Agriculture, Fisheries and  
Food (Item 1)

Sir Kenneth Berrill  
Central Policy Review Staff

#### SECRETARIAT

Sir Robert Armstrong  
Mr P Le Cheminant  
Mr P Mountfield

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### 1. THIRD LONDON AIRPORT

The Committee considered a paper by the Secretary of State for Trade, (E(79) 69). Their discussion and conclusions reached are recorded separately.

The Secretary of State for Trade said the Committee's discussion of the paper had confirmed the need for the maximum possible development of the existing airport facilities at Heathrow. A public inquiry had just been completed. The Inspector had recommended that approval for the construction of a fourth terminal should be given, subject to the imposition of a moratorium on aircraft movements at Heathrow during the year, and an absolute ban on ground movements of aircraft at night in the vicinity of the new terminal. In his view, it would be a mistake, and inconsistent with the overall strategy for airport development, to impose such limitations upon the use of Heathrow.

The Secretary of State for the Environment said that he agreed with the objective of maximizing the use of the existing facilities at Heathrow in the context of a wider airport strategy but it was to retain credibility, as the Minister who took the final decisions about planning tests, he was in regard to the Inspector's recommendations. He was prepared to accept the increase in the proposed limitation on airport movements at Heathrow, but he considered it to be a figure very close to the maximum feasible number. He considered it important to maintain some restriction on night movements of aircraft at Heathrow level, because the new terminal and its approacher would be very close to existing houses. He hoped that the Secretary of State for Trade would be prepared to confirm the earlier acceptance of a limit of 271,000 movements a year.

## 2. HEATHROW - FOURTH TERMINAL

The Committee considered a joint memorandum by the Secretaries of State for the Environment and for Trade (E(79) 70) about the conditions which should be attached to the granting of planning approval for the construction of a fourth terminal at Heathrow airport.

THE SECRETARY OF STATE FOR TRADE said the Committee's discussion of the previous item confirmed the need for the maximum possible development of the existing airport facilities at Heathrow. A public inquiry had just been completed. The Inspector had recommended that approval for the construction of a fourth terminal should be given, subject to the imposition of an overall limit on aircraft movements at Heathrow during the year, and an absolute ban on ground movements of aircraft at night in the vicinity of the new terminal. In his view, it would be a mistake, and inconsistent with the overall strategy for airport development, to impose such limitations upon the use of Heathrow.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he agreed with the objective of maximising the use of the existing facilities at Heathrow in the context of a wider airport strategy; but if he was to retain credibility, as the Minister who took the final decisions about planning cases, he must pay due regard to the Inspector's recommendations. He was prepared to accept some increase in the proposed limitation on airport movements at Heathrow, up to a figure very close to the maximum feasible number. But he considered it important to maintain some restriction on night movements on aircraft at ground level, because the new terminal and its approaches would be very close to existing houses. He hoped that the Secretary of State for Trade would be prepared to confirm the earlier acceptance of a limit of 275,000 movements a year.

In discussion, it was argued that the ban on night-time taxi-ing of aircraft at the fourth terminal would diminish its acceptability to airlines and their readiness to use it, with the result that its capacity would be underused. On the other hand the new terminal was much closer to residential property than the other terminals, and in terms of public relations and acceptability it would be important not to disregard the inspector's recommendation. Alternatives to taxi-ing should be explored, including the possibility of moving passengers from the terminal to aircraft by bus at the beginning and end of the day, and of towing aircraft rather than taxi-ing them under their own power. Some limited modification of the restricted hours might also be acceptable. The two Ministers directly concerned would pursue these possibilities further, and reach agreement on a resolution of the problem.

THE PRIME MINISTER, summing up the discussion, said that the Committee agreed that the construction of a fourth terminal at Heathrow should proceed. In view of the demands upon airport capacity in the South East it was desirable to secure the maximum possible use of Heathrow, within the limits of public acceptability. The Secretaries of State for Trade and Environment were now agreed upon a limit of 275,000 a year on aircraft movements; they should resolve the problem of night-time taxi-ing by discussion outside the meeting.

The Committee -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Secretary of State for Trade and the Secretary of State for the Environment to agree between themselves, in the light of the points made in discussion, upon the limits which should be attached to the planning permission for the fourth terminal to be constructed at Heathrow.

5. MINERS PAY

The Committee considered two minutes from the Secretary of State for Energy to the Prime Minister, also a note by the Secretaries (E(79) 75).

Their discussion and conclusions reached are recorded separately.

## 4. CONTINGENCY PLANNING: USE OF VOLUNTEERS AND CENTRAL PRESS UNIT

Previous reference: E(79) 11th Meeting

The Committee considered a memorandum by the Home Secretary (E(79) 71) about the use of volunteers during industrial disputes and a further memorandum by the Paymaster General (E(79) 62) about a contingency plan for the establishment of a Central Press Unit in the event of industrial emergencies.

THE HOME SECRETARY said that, following the Committee's previous discussion, he had arranged for officials to take a second look at the scope for volunteers in industrial disputes. Their report identified six areas in which volunteers might have a useful contribution, and five others in which further study was still under way. Its main recommendation was that sponsor Departments should now consult with the relevant employers about the precise scope for volunteers. It would then be for 'lead' Ministers to bring proposals to the Civil Contingencies Unit as necessary in particular cases. The report made a number of further recommendations, about the use of the Territorial Army and other reserve forces, and about the possibility of reviving the Civil Defence Organisation. The last proposal raised major financial and organisational problems which he proposed to have studied further; he did not seek any decision at this meeting. The remaining proposals appeared to be acceptable.

In discussion, the following points were made -

- a. Consultation always involved the risk of repercussions on current industrial disputes or pay negotiations. In general it was sensible to proceed with discreet preparations, including consultation with employers; but it would be important not to prejudice the outcome of the pay negotiations for local authority manual workers, which were at an advanced stage and where the prospects were favourable. Consultation with Local Authorities should therefore be postponed till these negotiations were complete.

b. It was now clear that existing statutory powers were insufficient to permit the use of the Territorial Army in an industrial dispute. This and other potential defects in the existing legislation should be urgently examined.

c. Preparations were already well in hand for a possible strike among oil tanker drivers, and consultation with the oil companies was proceeding.

d. Consultation in all other areas should now proceed. Particular attention should be given to the preparation of lists of retired management personnel who might be able to assist with the maintenance of essential supplies in an emergency, particularly in the water industry. Similar action might be possible in the case of essential computer operations.

e. It would also be essential to find suitable premises in which volunteers would assemble.

f. There were no objections to the proposal for the creation of a Central Press Unit. It was clear that the responsibility for press relations would rest with the lead Department in each dispute, but that suitable co-ordination would be arranged through the proposed new Unit. Any necessary finance would be arranged along the lines suggested in the paper by the Paymaster General.

THE PRIME MINISTER, summing up the discussion, said that the Committee agreed that volunteers could play a useful role in a limited number of industrial situations. They approved the proposals in the Home Secretary's paper (E(79) 71) and authorised consultation with the employers in every case except that of the Local Authorities, where consultation should be postponed until the outcome of the current pay negotiations. The other proposals in the Home Secretary's paper were approved, with the exception of those for the use of the Territorial Army, and for the revival of the Civil Defence Organisation, which required further examination. The Committee was keen that suitable premises should be found for the use of volunteers where they were mobilised for action in an industrial emergency.

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

2. Invited the Home Secretary to consider further the case for reviving the Civil Defence Organisation, and to bring proposals to the appropriate Cabinet Committee in due course if he decided to pursue the suggestions.

3. Invited the Home Secretary, in consultation with the Secretary of State for Defence and the Attorney General, to consider further the case for an amendment to the existing emergency legislation, to permit the use of the Territorial Army in industrial disputes.

4. Invited the Home Secretary, in consultation with the Attorney General, to see whether any further changes in the existing emergency powers legislation were desirable.

5. Invited the Home Secretary, in consultation with the Secretary of State for the Environment, to consider further the question of provision of premises for the use of volunteers, in the light of consultations with employers.

6. Approved the proposals in E(79) 62 for the establishment of a Central Press Unit, including the arrangements for financing additional advertising costs.

Cabinet Office

5 December 1979

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

LIMITED CIRCULATION ANNEX  
E(79) 17th MEETING MINUTES, ITEMS 1 and 3  
TUESDAY 4 DECEMBER 1979 at 10.30 am

CONFIDENTIAL

1. THIRD LONDON AIRPORT

The Committee considered a memorandum by the Secretary of State for Trade (E(79) 69) about the site of the Third London Airport. They also had before them the reports of the Advisory Committee on Airport Policy and of the Study Group on South East Airports.

THE SECRETARY OF STATE FOR TRADE said that the provision of additional airport capacity in the London area had been a problem for many years, and a decision was now urgent. Because traffic forecasts were so uncertain, it was desirable to choose a solution which left the maximum possible flexibility. It was already his policy to develop regional airports to the maximum. But there was an irreducible minimum amount of traffic which had to be accommodated in the South East, if it was not to be lost altogether to the Continent of Europe. There was no chance of accommodating all this traffic growth at Heathrow. The present system would be at saturation point in 8 or 9 years' time. Only one airport was capable of expansion within that time-scale. That was Stansted, where there was an existing runway which could cater for the growth of traffic for some years ahead. In the first instance it would be necessary to purchase between 600 and 1000 acres for the construction of a terminal, and to undertake relatively minor road and rail access works. At the same time he proposed that the British Airport Authority (BAA) should apply for outline planning permission for a further 2,500 acres, which would provide a site for a possible second runway if this proved necessary in due course. The Special Development Order procedure would be appropriate for this purpose. This procedure would allow landowners in the affected area to sell their land to the BAA at its existing use-value, without being affected by planning blight. This proposal was very different from the original plan for the expansion of Stansted, and

from the recommendations of the Roskill Commission for a four-runway airport. It was on an altogether smaller scale and was essentially a scheme for making better use of existing facilities. The introduction of quieter aircraft in recent years also helped to ensure that the plans he proposed would have a much smaller noise impact on the local population.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he supported the proposals as a basis for going to a public inquiry, though the Government must reserve its final decision until the report of the public inquiry was available, and any announcement now formulated accordingly. The question whether to follow the Special Development Order procedure should in his view be kept open at this stage: that procedure involved additional Parliamentary stages which involved considerable risk. The previous Conservative Government's proposals for an airport at Maplin had been defeated in Parliament. There was a danger that these proposals for developing Stansted would suffer a like fate.

In discussion, it was argued that, instead of increasing airport capacity in the overcrowded South East, more should be done to encourage international traffic to use regional airports like Birmingham and the East Midlands airport. Against this, it was argued that it was already difficult to persuade foreign airlines to use Gatwick. It would be even more difficult to divert traffic to Stansted, and more difficult still to persuade the traffic to go to Midlands or Northern airports and it was more likely to <sup>move</sup> ~~prove~~ to <sup>be</sup> ~~be~~ Low Countries. The ideal course would be to construct a major new international airport, as the French had done at Roissy. But neither time nor resources were available for that. The right course was therefore to develop existing facilities, in the way proposed by the Secretary of State for Trade, retaining maximum flexibility to adjust plans in response to changing traffic patterns. It was suggested that the local authorities, while accepting the need for new airport capacity in the South East, would have preferred a new site at Maplin. But the Greater London Council (GLC) proposals for this development appeared to be inadequately costed, eg they made no provision for the removal of the Ministry of Defence ranges at Shoeburyness, or for the construction of new access links. Stansted, because it already had a suitable runway and because it was already close to existing rail and motorway links, could be developed most cheaply, although considerable expense might be involved at the London

end of the existing M 11 motorway. British Rail would require financial assistance for the provision of improved rail connections, which were not provided in their existing investment programme. Further public expenditure would be needed, in due course, for the construction of housing for airport workers. These additional expenses would largely fall outside the period of the present public expenditure survey.

In further discussion, it was stressed that, whatever course the Government proposed, there would be considerable Parliamentary opposition. This could be partly avoided if the development proposals were taken stage by stage. But, on balance, it seemed better to announce all the Government's proposals at the same time, including the proposal to seek outline planning permission for a second runway in case of need, and to leave open the option of a Special Development Order, notwithstanding the Parliamentary disadvantages. At the same time it would be important to present these proposals as part of an airport development policy, which included the regional airports as well as those in the London area. The use of the term 'Third London Airport' could well be avoided because it was no longer an apt description of the Government's intentions and would arouse unnecessary opposition to them. Pressure for an early announcement was mounting, following press speculation. The reports of the Study Group and Advisory Council would be available for publication from the following week onwards. A statement should be made in Parliament before Christmas. But the issues involved were politically sensitive, and required consideration by the Cabinet before any statement was made.

THE PRIME MINISTER, summing up the discussion, said that the Committee had reached no final decision. They were disposed to favour the proposals put forward by the Secretary of State, which could be presented in the context of a general strategy for airport development rather than as a decision to build a Third London Airport. It seemed desirable to make an early and comprehensive announcement, the drafting of which would require great care, as would its Parliamentary handling. A final decision should be reserved for the Cabinet, which would need to consider urgently both the proposals and the related question of the timing of an announcement and of publication of the two reports. Meanwhile the proposals should be treated as extremely sensitive, and knowledge restricted to those directly concerned.



The Committee -

1. Took note with approval of the Prime Minister's summing up of their discussion.
2. Invited the Secretary of State for Trade to bring his proposals before the Cabinet, and to consult the Ministers concerned beforehand about the terms and timing of his proposed announcement.

### 5. MINERS' PAY

The Committee had before them two minutes from the Secretary of State for Energy, dated 26 and 27 November, dealing with the present state of the negotiations for a pay increase for mineworkers, and with the level of coal stocks at power stations. They also considered a note by the Secretaries (E(79) 73), covering a report from the Civil Contingencies Unit on the state of planning for a possible miners' strike.

THE SECRETARY OF STATE FOR ENERGY said that the result of the ballot of mineworkers taken on 30 November would not be known until the following evening. Despite earlier press rumours, the outcome was uncertain, but it seemed possible that the vote in favour of industrial action would fall short of the 55 per cent which was needed before the Executive of the National Union of Mineworkers (NUM) could call an all-out strike. The Executive would meet on 6 December to consider its position, and would probably make an immediate approach to the National Coal Board (NCB) thereafter. The NCB response would depend upon the outcome of the ballot, but at present they were minded either to stand firm on their present offer, or to suggest some modest improvements in the existing incentive payments scheme.

In discussion, there was general agreement about the serious threat which a miners' strike would pose to the economy. It was also generally agreed that the Government must stand back from the negotiations and not be seen to be influencing them in any way. Early and informal indications about the outcome of the mineworkers' ballot were quite encouraging, but there was always a danger of some form of industrial action falling short of an all-out strike. This too could be seriously damaging. It was important that the NCB should handle the succeeding stages, after the result of the ballot was known, with care and deliberation, and should avoid precipitated or ill-considered reaction.

THE PRIME MINISTER, summing up a brief discussion, said that the Committee agreed on the need to stand back from the negotiations, but at the same time to ensure that the NCB handled them with care and deliberation.

The Committee -

Took note, with approval, of the Prime Minister's summing up of their discussion, and invited the Secretary of State for Energy to be guided accordingly.

Cabinet Office  
5 December 1979

*Mr. Alder*

DEPARTMENT OF TRADE

1 VICTORIA STREET LONDON SW1H 0ET

Telephone 01-215 7877



From the Secretary of State

CONFIDENTIAL

T Lankester Esq  
Private Secretary to the Prime Minister  
10 Downing Street  
London, SW1

CABINET OFFICE
A <i>6686</i>
27 NOV 1979
FILING INSTRUCTIONS
FILE No. ....

*cc Sir K. Basil  
M. Le Heron  
\* ~~M. Mansfield~~  
M. Miles*

*\*with attachments.*

*27 November 1979 3.12* *to RTA*

*Dear Tim*

THIRD LONDON AIRPORT

I enclose copies of the reports of the Advisory Committee on Airports Policy and the Study Group on South East Airports on the Third London Airport for information as background to our E79/69 paper on this issue.

I am copying this letter and copies of the reports to the Private Secretaries to all members of 'E' Committee, the Lord Chancellor's Office, the Private Secretaries to the Secretary of State for Defence, to the Minister of Transport and to Sir Robert Armstrong.

*Yours sincerely*

*Hugh Bartlett*

H W BARTLETT  
Private Secretary

6  
Let's have a new folder  
'Coal - Stocks Threat'

PRIME MINISTER

POWER STATION FUEL

CABINET OFFICE
A 6678....
27 NOV 1979
FILING INSTRUCTIONS
FILE No. ....

cc Sir K. Bevil  
 Mr. Wade-Gery  
 Mr. Le Mennecant  
 Mr. Mountfield  
 Mr. Miles  
 Bruce Bishop.

You asked to be kept in touch with the position on fuel stocks at CEEGB power stations on which I last minuted you on 17 August.

CEGB coal stocks stand at 16 m tonnes, well above forecasts made earlier this year; if we include power stations in Scotland (for which the Secretary of State for Scotland is responsible) the figure exceeds 17½ m tonnes and reflects the rapid rate of stockbuild in recent weeks. The NCB and British Rail have worked hard to shift coal. Deliveries to the CEEGB have been above programme and the mild autumn has helped. The CEEGB are importing all the coal that can at the present time be shipped and transported (2½ m tonnes for the year).

Oil stocks are at a record level of 1.3 m tonnes and the CEEGB has arranged for supplies (including BNOC oil) which will enable them to raise oil burn to the maximum economic level this winter; they are talking to the oil companies with a view to obtaining additional deliveries (There are implications here for our international commitments which will need careful handling but which need not stand in our way).

It is difficult to forecast the level of electricity demand (so much depends on uncertainties including the weather and availability of other fuels to consumers) but if there is no disruption to either coal or oil supplies before Christmas the Board expects the level of stocks of both fuels at power stations to sustain an endurance during the period of peak demand (January and most of February) of four weeks with a further period of progressively declining output. Reduced supplies of coal and oil before Christmas for whatever reason would affect the level of stocks and therefore endurance after Christmas. Currently coal stocks are not as well balanced as they might be but their distribution can be manipulated by operating stations out of merit order in order to balance stock levels across the system while a certain amount of additional oil can be consumed in coal fired stations to conserve coal. The CEEGB are examining both these courses.

Ancillary materials are important; the Board are taking action to replenish stocks as soon as they are drawn down. I am informed that these stocks would support 6 weeks of average winter output in January/March under operating practices designed to preserve materials rather than to minimise costs. Under normal circumstances the Board would not expect stocks of ancillaries to be affected by the holiday period - deliveries could be reduced but electricity output also declines as many firms close down for several days at that time. There is no expectation of difficulty in the water supply industry at present but much of the Board's capacity depends on mains water supply and there is little scope for increasing storage against disruption.

Copies of this minute go to E Committee, to the Secretary of State for Scotland, to the Minister of Transport and to Sir Robert Armstrong.

DA

SECRETARY OF STATE FOR ENERGY

26 NOVEMBER 1979

PRIME MINISTER  
COAL PAY NEGOTIATIONS

CABINET OFFICE  
A 6709.....  
28 NOV 1979  
FILING INSTRUCTIONS  
FILE No. ....

*cc Sir. Berrill  
Mr. Le Chevallier  
Mr. Monaghan  
Mr. Miles*

*+RW-6*

Sir Derek Ezra came to see me today at his own request to set out the options before the National Coal Board on the miners' pay negotiations and to ask if the Government had any view to put to the Board about the choice facing them.

The NUM ballot is to be held this Friday, 30 November. Sir Derek said that in the Board's view it was now probable, though not certain, that the NUM National Executive would get the 55% vote they needed for rejection of the NCB's offer and authority to take industrial action. If this happened, the Board had three choices:

a. To stand firm on the offer they had so far made, which is about 20% on basic rates. The argument for doing this was that, in the Board's view, the miners do not want a strike and that if the Board now increased their offer it would undermine their credibility in future negotiations. But the Board think that taking this line would mean industrial action by the union after Christmas. This could be either a strike or an overtime ban leading to a strike.

b. To settle with the NUM. They said before the ballot that they would have been willing to settle for 25%, but it is impossible to be sure what the figure now would be. Much would depend on the exact size of the majority in the ballot. The Board's present view is that they should not adopt this course, because of the effect on their credibility and on future negotiations with the NUM. An increase in the offer could however be financed, without breaching the Board's external financing requirement, by higher prices or a cut in investment.

c. An intermediate course. The Board are considering two possibilities:

i. An improvement in the incentive scheme, with extra pay financed by extra output.

ii. An offer that if the RPI increase next January or February exceeds the figure assumed by the NCB, the offer will be raised to this level.

Lzra said that the Board intended to decide between these options once the ballot result was known, probably next Monday, 3 December. He said he would report this to me and ask if the Government had any comments. The NUM Executive meet on Thursday, 6 December and it may be necessary for the Board to make a response to them at once.

I made no response to Lzra other than to emphasize the importance of staying within the Board's external financing requirement. We shall however need to consider whether to give the Board any advice and, if we do, what that advice should be. This would suggest a discussion early next week.

I am copying this to other members of E Committee and to Sir Robert Armstrong.

SECRETARY OF STATE FOR ENERGY

27 NOVEMBER 1979

OH