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(CC (64) 1st–16th Meetings)

(19th October, 1964 to 18th December, 1964)

(CC (65) 1st–73rd Meetings)

(14th January, 1965 to 23rd December, 1965)

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Proposal to abolish the remaining tariffs on imports from EFTA liable to be regarded as discrimination. Consideration to be given to the manner in which the cohesion of EFTA might be reinforced. (64) 8 (4).

Attitude to be adopted at EFTA Ministerial meeting at Geneva on 19th-20th November: Danish suggestion of a common EFTA fund unacceptable, but a proposal for a Standing Committee of Officials in EFTA to review economic developments in member countries could be accepted. Tariffs, no discrimination in favour of EFTA. EFTA given advance information about the industrial exceptions list proposed in connection with the Kennedy round. (64) 9 (4).

Import charges—EFTA continuing to press for some reduction and claiming that United Kingdom export rebates were contrary to the Stockholm Convention. 5 (2).

EFTA Ministerial Meeting: a significant reduction in the import surcharge expected by EFTA. An offer of a 2 per cent reduction from 26th April would be made, but no commitment for a further reduction could be accepted. 11 (2).

Further consideration to be given to the basis on which EFTA should seek to take a fresh initiative in establishing closer functional co-operation with the European Economic Community. 15 (5); 26 (2).

Creation of links between EEC and EFTA; reduction of tariff barriers; creation of a new European free trading area; proposed Joint Consultative Council. Kennedy round of tariff negotiations. C51, C52, C 73, 30 (5).

EUROPEAN LAUNCHER DEVELOPMENT (ELDO)

ELDO Conference to be reconvened in Paris on 7th April. Rejection, by an International Working Group, of a previous French proposal for a more advanced launcher; compromise programme for a two-stage launcher recommended. No economic case for further participation in ELDO programmes; withdrawal by the United Kingdom would have political consequences. C 54, 21 (2).

The United Kingdom delegation to the Conference to accept in principle the report of the Working Group on the development of a two-stage launcher and to urge the limitation of the total cost of the programme. Confidential discussions to be initiated with the French Government on possible alternative forms of technological co-operation outside of ELDO. 23 (3).

Termination of the United Kingdom commitment to ELDO. Merits of the Black Arrow programme; possibility of European co-operation in space activities. C 180, 71 (4).

EVICITION BILL, PROTECTION FROM

See also RENT BILL.

Provisions of the Protection from Eviction Bill relating to agricultural tied cottages to be retained. (64) 9 (1).

EXCHANGE TELEGRAPH COMPANY

Discontinuance of the Parliamentary and general news service which was run jointly with the Press Association. The Universal News Service might be expanded to cover these fields. The President of the Board of Trade and the Postmaster-General to enquire into the position. 57 (6).

Exchange Telegraph Company. C 150.

SECRET
FAIRFIELDS SHIPYARD

The shipbuilding yard of the Fairfields Engineering and Shipping Company is in financial difficulties and in imminent danger of closing down unless Government assistance can be provided. A Ministerial group to convene to consider whether short-term Government assistance should be given to keep Fairfields yard in operation until the Geddes Committee on Shipbuilding becomes available. 56 (2).

The Government to negotiate to acquire the physical assets of Fairfields shipyard, preferably in co-operation with private enterprise. C 162, C 165, 66 (3); 69 (4).

Negotiations to acquire the assets of Fairfields shipyard jointly by the Government and Lord Thomson of Fleet. The Government having the power to appoint and dismiss the Chairman. 71 (2).

Difficulties in the formation of a joint company. Negotiations to continue on the basis of a combination of Government and private capital. C 183, 72 (4).

FAR EAST

See also—
FOREIGN SECRETARY'S VISIT OVERSEAS.
FOREIGN SECRETARY'S VISIT TO THE SOVIET UNION.
OVERSEA AFFAIRS.
PRIME MINISTER'S VISIT TO WASHINGTON AND OTTAWA, DECEMBER 1964.
PRIME MINISTER'S VISIT TO NEW YORK, WASHINGTON AND OTTAWA, DECEMBER 1965.
VIETNAM.

Foreign Policy: decline in United Kingdom influence. Western withdrawal from the Far East probable in the long term. 49 (3).

FARES

See LONDON TRANSPORT FARES.

FARM PRICE REVIEW

Help in cases of special need and to improve efficiency of smaller farmers. Hill cow and hill sheep subsidies and agricultural co-operation. Production of milk and beef. Farm Price Review Committee to consider issues further. C 8, 5 (6).

Guarantees: Initial offer to be £3 million; an increase in the price of fat cattle without an increase in the guaranteed price of milk would risk a production swing from milk to beef. A continued increase in farming incomes would be inconsistent with the incomes policy. Cabinet to be consulted further during negotiations. C 15, 7 (7).

Agricultural Ministers authorised to improve upon the initial offer to the Farmers' Unions within a limit of a total increase of £11 million in the value of price guarantees and production grants. Consideration to be given to measures to ensure that no additional Exchequer liability would be created as a result of changes in arrangements in connection with the price of pigs. 14 (5).

The Government to impose a settlement of the Farm Price Review on the basis of increases in price guarantees and production grants. White Paper to be issued. 15 (8).

Farm Price Review. C 44.

FIFTY-YEAR RULE

Reduction of the closed period to 30 years with exception for certain categories of record. Consultations to be held with the Opposition leaders. C 114, 45 (1).

FINANCE

See—
BRITISH BROADCASTING CORPORATION.
COAL INDUSTRY.
ECONOMIC SITUATION.
HOSPITALS.
IMPORT CHARGES.
LOCAL GOVERNMENT FINANCE.
PUBLIC EXPENDITURE.
SCOTTISH ECONOMY, 1965-70.

FOREIGN POLICY

See also—
ATLANTIC NUCLEAR FORCE.
EUROPEAN ECONOMIC COMMUNITY.
MIDDLE EAST.

Disarmament: relaxation of tension between East and West.
European Economic Community: position of the United Kingdom.
Middle East: gradual withdrawal from. The value of CENTO.
Far East: Vietnam, Indonesia and Malaysia—no present prospect of a satisfactory solution.
Western withdrawal from the Far East in the long term.

Foreign policy: decline in British power and influence over the whole field of foreign policy. Difficulty of taking effective international action due to limited defence resources. C 48, C 49, C 51, C 52, 19 (2); 49 (3).
FOREIGN SECRETARY'S VISIT OVERSEAS

Japan and Korea—
Relations improved by recent treaty. Economic progress slow in Korea. Japan: mediation welcome on the Indonesian confrontation with Malaysia; support for British policy on Southern Rhodesia; criticism of United States policy in Vietnam, but no desire for a Communist victory.

United Nations Organisation, New York—
Financial difficulties overcome.

Washington—
No help to, or recognition of, the Southern Rhodesian Government by the United States in the event of a UDI, but no commitments given. Nuclear arrangements for NATO: Germany and the possibility of a non-proliferation treaty with the Soviet Union. Danger of non-nuclear Powers manufacturing nuclear weapons; difficulty of giving guarantees for India and Israel. 54(1).

FOREIGN SECRETARY'S VISIT TO THE SOVIET UNION

Non-proliferation of nuclear weapons—
Soviet view that no progress could be made towards negotiating a treaty if the Federal German Government were allowed a greater degree of access to nuclear weapons.

Vietnam—
Soviet disclaim of any role in relation to the conflict. Possibility that the Soviet Government are inhibited from taking any action by fear of Communist China’s reaction.

India and Pakistan—
Soviet not prepared to act as arbiter in the dispute; but are prepared to arrange a meeting at Tashkent between the Prime Minister of India and the President of Pakistan if such action was likely to be acceptable and profitable.

Rhodesia—
Suspicion that the United Kingdom connived in the illegal assumption of independence by the régime in Salisbury. 68(1).

FORESTRY
See SCOTTISH ECONOMY, 1965-70.

FRANCE
See also—
ATLANTIC NUCLEAR FORCE.
EUROPE.
EUROPEAN FREE TRADE ASSOCIATION.
IMPORT CHARGES.
NORTH ATLANTIC TREATY ORGANISATION.
PRIME MINISTER'S VISIT TO WASHINGTON AND OTTAWA, DECEMBER 1964.
UNITED NATIONS.

Possible withdrawal of France from EEC and NATO: the need to strengthen EFTA. (64) 6 (2). Proposal to abolish remaining tariffs on imports from EFTA liable to be regarded as discrimination; the French Government would deny the United Kingdom recourse to the International Monetary Fund. (64) 8 (4).

Atlantic Alliance—dominance of General de Gaulle. (64) 13 (2). French disagreement about the Atlantic Nuclear Force. (64) 15 (2). Meeting of the Western European Union in Rome: French representative unco-operative; favourable response by the other Governments to the suggestion of closer functional links between EEC and EFTA. 15 (2).

Elections: President de Gaulle likely to stand again for election on the second ballot with the possibility of gaining over 60 per cent of the votes. Such a result might increase United Kingdom difficulties in relations with France and the EEC, but in the longer term the demonstration of a political Opposition in France might be favourable. 69 (2).

Election of President de Gaulle—reactions. Authority of the French Parliament likely to be increased when President de Gaulle ceases to hold office. 73 (1).

FRANKS COMMITTEE
See PRICES AND INCOMES POLICY.

FREE TRADE AREA
See—
EUROPEAN ECONOMIC COMMUNITY.
EUROPEAN FREE TRADE ASSOCIATION.
FRANCE.
GERMANY, FEDERAL REPUBLIC OF.
IRISH REPUBLIC.

SECRET
FUEL POLICY
Fuel Policy. C 130.

FUTURE GOVERNMENT BUSINESS
See—

LEGISLATIVE PROGRAMME.
PUBLICATION OF WHITE PAPERS.

G

GEDDES COMMITTEE OF ENQUIRY ON SHIPBUILDING
See FAIRFIELDS SHIPTARD.

GERMANY
See GERMANY, FEDERAL REPUBLIC OF

GERMANY, FEDERAL REPUBLIC OF
See also—

ATLANTIC NUCLEAR FORCE.
EUROPEAN ECONOMIC COMMUNITY.
FOREIGN SECRETARY'S VISIT OVERSEAN.
FOREIGN SECRETARY'S VISIT TO THE SOVIET UNION.
FRANCE.
NORTH ATLANTIC TREATY ORGANISATION.
PRIME MINISTER'S VISIT TO WASHINGTON AND OTTAWA, DECEMBER 1964.
PRIME MINISTER'S VISIT TO NEW YORK, WASHINGTON AND OTTAWA, DECEMBER 1965.
WESTERN EUROPEAN UNION.

Visit of the Prime Minister and the Foreign Secretary to the Federal German Republic: agreement that discussions should be undertaken on a new initiative by the Western Powers in relation to the reunification of Germany. The Federal Government anxious to ensure that the proposals for a multilateral nuclear force should figure as prominently as the project for an Atlantic Nuclear Force in the Working Group discussions. United Kingdom dissatisfied with the contribution made by the Federal Government to the foreign exchange costs of maintaining United Kingdom forces in Germany; Federal Ministers to seek further means of offsetting costs by increasing Federal purchases in the United Kingdom. The current Agreement to be reviewed and, if necessary, a new Agreement negotiated on a more acceptable basis. Consideration to be given to the creation of closer functional links between EEC and EFTA. 15 (5).

Dispute with the United Arab Republic on the establishment of diplomatic relations with the Government of Israel by the Federal German Republic—recognition of the Government of East Germany by some Arab Governments. The attempt by the United Kingdom to promote more cordial relations with the United Arab Republic to be moderated; the suggested visit of a United Kingdom Minister to Cairo—to be deferred. 17 (2).

Soviet reaction to the meeting of the Federal Parliament in Berlin: harassment of Western Powers' access to Berlin. 24 (2).

Situation in Berlin returned to normal—recent harassment of inhabitants a political demonstration by the Soviet Government in response to a meeting of the Bundestag in the city. It was politic that such meetings should be infrequent; suggestion by the Federal Government that the Bundesrat should meet in Berlin this year—not endorsed. 25 (2).

Anglo-German Offset Agreement: a new Agreement to extend from March 1966 to March 1967. If honoured, the new Agreement would provide £170 million in exchange costs for United Kingdom forces in Germany. 35 (3).

The Socialist Democratic Party is prepared to adopt a more positive attitude to the Soviet Union and East Germany; further consideration to be given by the United Kingdom to its policy on German reunification. 49 (3).

Policy towards Germany. C 119.

GIBRALTAR
Restrictions on the frontier imposed by Spain after the United Nations consensus inviting the United Kingdom and Spain to find a negotiated solution. Self-government alleged, by Spain, to be contrary to the Treaty of Utrecht. A United Kingdom Minister to visit Gibraltar. Consideration to be given to: ensuring the transit of foodstuffs by ship to Gibraltar without hindrance; the advantage of initiating a non-attributable Press campaign against Spain; British European Airways fares. C 18, 8 (2).

GOVERNMENT EXPENDITURE
See—

ECONOMIC SITUATION.
HOSPITALS.
PUBLIC EXPENDITURE.
GRAMMAR SCHOOLS
See Education.

GRANTS, GENERAL
See Local Government Finance.

GREATER LONDON COUNCIL
Children's Service in Greater London—
Decision to include proposed Bill in 1964-65 legislative programme deferred. C (64) 20, (64) 11 (7).
The Local Authorities concerned to be consulted and the matter to be re-submitted to the
Cabinet before a decision to legislate is reached. (64) 12 (3).
Possibility of obstruction to other Government measures by opposition to the Bill—the
Cabinet agreed not to proceed with legislation on the Children's Service in Greater
London. C 3, 1 (3).

GREECE
Constitutional crisis: Communist Party support for former Prime Minister, M. Papandreou; a
possibility that the crisis could develop unfavourably for the West and affect Greek support
for NATO. 40 (2).

HANSARD SOCIETY
See Parliament.

HEALTH SERVICE
See also—
Hospitals.
Public Expenditure.
Abolition of prescription charges. C (64) 8, (64) 3 (3).
Additional programme of expenditure inadequate to meet the needs of the Health Service; no
provision to be made for the removal of charges for dental treatment, dentures and spectacles.
C 101, 38 (3).

HEATHROW
See Soundproofing of Private Houses near London Airport.

HILL COW SUBSIDIES
See Farm Price Review.

HILL SHEEP SUBSIDIES
See Farm Price Review.

HOME DEFENCE AND THE TERRITORIAL ARMY
Reorganisation of the reserve army: expenditure on the Territorial Army not justifiable solely
on Home Defence grounds. The Ministerial Committee on Civil Defence to consider other
arrangements for assisting the police in the event of a nuclear attack. C 86, 25 (6).

HOMOSEXUAL OFFENCES
Lord Arran to move, in the House of Lords, a Motion on the Wolfenden Committee's
recommendations: the Government spokesman in the debate to maintain a neutral attitude
indicating that a decision must be left to Parliament on a free vote on a Private Members
Bill. 28 (5).

HOSPITALS
See also—
Economic Situation.
Health Service.
Capital expenditure—
Increased expenditure in the next financial year likely to clash with other priorities; the
necessity for an increase in hospital building in 1965-66 to be re-examined. C 6, 3 (3).
HOUSING
See also—
ECONOMIC SITUATION.
EVICTON BILL.
LAND COMMISSION.
LEASEHOLD REFORM.
MANCHESTER, NEW TOWN FOR.
PUBLIC EXPENDITURE.

Private house building for sale exceeding the numbers built for rent and by public authorities. The use of industrialised building methods by local authorities in house construction. The location of additional housing to be related to areas where building resources are unemployed and the need for houses most urgent. Man-power implications to be examined. Any increase in public housing approvals to be viewed in the light of the financial and economic situation. C 17, C 21, 9 (3).

Approvals for public authority housing increased by 12,000 for 1965. Methods of limiting private building to release resources for public housing. Use of industrialised building methods. The prevention of premature and inessential demolition of houses. Provision of housing to promote the redeployment of labour. Legislation on building controls. C 26, C 28, C 29, C 32, C 33, 12 (3).

Establishment of control over housebuilding and less essential building in the private sector—

to be examined. C 97, C 101, 38 (3).

Target of 300,000 houses by 1970, possibly by the use of system building. Reduction of private housebuilding; postponement of proposed arrangements for assistance for private mortgages. Housing and school building. C 101, 39 (1).

Minister of Housing and Local Government to keep the balance between public and private sector building under review. C 101, 43 (3).

Draft White Paper: housing programme 1965–70. Allocation of housing between the public and private sectors. Subsidies; improvement grants; new schools; restriction of loans by building societies and insurance companies. C 151, C 152, 62 (6).

No immediate increase in the public housing programme; public sector programmes to be reviewed in January in the light of the economic and financial position at that time. C 170, C 172, 68 (6).

Slum Clearance—Compensation for Owner-Occupiers. C 74.

IMMIGRATION
See—
COMMONWEALTH IMMIGRATION.
RACIAL DISCRIMINATION AND INCITEMENT TO RACIAL HATRED.

IMPORT CHARGES
See—
ECONOMIC SITUATION.
EUROPEAN FREE TRADE ASSOCIATION.

Proposal to abolish the remaining tariffs on industrial goods imported from EFTA liable to be regarded as discrimination by other countries; the French Government would deny the United Kingdom recourse to the International Monetary Fund. EFTA countries to be informed that there could be no reduction in tariffs. Consideration to be given to the manner in which the cohesion of EFTA might be reinforced. (64) 8 (4).

Undertaking given as a condition of recourse to the International Monetary Fund, that there would be no discrimination in favour of EFTA. (64) 9 (4).

Further consideration to be given to the level of import surcharges before the EFTA meeting in February 1965. (64) 10 (3).

IMPORTS
See—
COMMERCIAL POLICY.
IMPORT CHARGES.

INCOME GUARANTEE
See SOCIAL SECURITY.

INCOMES POLICY
See—
ECONOMIC SITUATION.
PRICES AND INCOMES POLICY.
INDIA

See—

FOREIGN SECRETARY'S VISIT OVERSEAS.

FOREIGN SECRETARY'S VISIT TO THE SOVIET UNION.

KASHMIR.

MILITARY AID TO INDIA AND PAKISTAN.

PRIME MINISTER'S VISIT TO WASHINGTON AND OTTAWA, DECEMBER 1964.

RANN OF KUTCH.

INDONESIA

See also FOREIGN SECRETARY'S VISIT OVERSEAS.

Renewal of overtures by the Indonesian Government for a peaceful settlement of their differences with Malaysia—United Kingdom to give tentative response without commitment unless there are adequate indications that such overtures are in good faith. (64) 2 (1).

Indonesian troops in Borneo reinforced. The additional British units sent to Borneo may be able to hold the position. President Sukarno's health deteriorating; Communist elements gaining power, but Army faction would probably prevent the complete domination of Indonesian policy. 1 (1).

Foreign policy: close contact maintained between the United Kingdom and the Governments of Australia, New Zealand and the United States on the dispute between Malaysia and Indonesia. 49 (3).

President Sukarno playing a leading role despite recent attempted coup. Hostility between the Army and the Communists. 50 (3).

INDUSTRIAL DISPUTES

See also PRICES AND INCOMES POLICY.

Bakery industry—

Claim for higher wages by the Bakers' Union—attitude to the National Board for Prices and Incomes. Possibility of extension of the strike to a large part of England and Wales. Discussions to be held with the Executive of the Union—no special measures to be taken by the Government at this stage. 64 (3).

Refusal by the Bakers' Union to submit their case to the National Board for Prices and Incomes. A risk that the Board might be viewed as a substitute for normal industrial arbitration machinery. The Minister of Labour to seek the agreement of employers and of the union to an initial increase on the condition that any further wage increase would be referred to the Board. 66 (4).

The possibility of a national strike in the bakery industry—the implications of the dispute for the Government's prices and incomes policy as a whole. C 166, 67 (4).

Agreement by the bakery firms and the Bakers' Union that the wage claim should be referred to the National Board for Prices and Incomes without an interim wage increase. 68 (7).

Buses—

Discussions taking place between the London Transport Authority and the Transport and General Workers Union.

Docks—

No immediate prospect of settlement in the dock dispute over a wage claim for time-paid and piece workers. (64) 2 (6).

Appointment of a Court of Inquiry under the Chairmanship of Mr. Justice Devlin to consider the question of pay and thereafter the problems of organisation of labour in the docks. (64) 4 (2).

Award of 5 per cent would avoid strike. Plans to be made to maintain essential supplies—use of troops and voluntary civilian workers considered. The Economic Development Committee to consider causes of congestion and delay in the docks. C (64) 15, (64) 9 (5).

Congestion of docks to be investigated by an interdepartmental committee of officials. (64) 10 (5).

Motor industry—

Frequency of industrial disputes. Unions no longer in adequate control of the actions of members. Prime Minister to see representatives of the employers and trade unions involved. The situation to be reviewed and any proposals for action to be discussed by the Cabinet. 46 (3).

Railways—

Possibility that the unions would appeal to the National Tribunal in the current dispute. (64) 2 (6).

A meeting to take place between the Chairman of the Railways Board and the Railway Unions. (64) 4 (2).

Unofficial work to rule by drivers in the South-Eastern region now withdrawn; issue in dispute to be submitted to the Railways Tribunal on the 1st December. (64) 9 (6).

The incentive bonus scheme and the work to rule. Union to reconvene and continue negotiations. 40 (3).
INDUSTRY

See—

INDUSTRIAL DISPUTES.
MANCHESTER, NEW TOWN FOR.
POLITICAL CONTRIBUTIONS.
PRICES AND INCOMES POLICY.
SCOTTISH ECONOMY, 1965-70.
TRADE DISPUTES BILL.

INTERNATIONAL MONETARY FUND

See—

FRANCE.
IMPORT CHARGES.

IRAN

Assassination of the Prime Minister not attributable to external intervention, and not likely to involve any change in the general direction of Iranian policy. 5 (2).

IRAQ

Growing tension between President Arif and a pro-United Arab Republic faction—risk of a coup d'état. Possible delay to the ratification of new oil companies agreement. 36 (2).

IRISH REPUBLIC

See also COMMERCIAL POLICY.
Sir Roger Casement: request that his remains be returned to the Republic: no legal objections. Agreement conditioned upon an undertaking that the remains be reinterred in Republican territory and not subsequently removed. Home Secretary to announce the decision in the House of Commons. 1 (2).

Free trade area agreement with the Irish Republic: negotiations to continue, but the possibility of agreement might have to be deferred until January. C 175, 69 (7).

IRON AND STEEL NATIONALISATION

Proposal that the Government should nationalise 13 large undertakings which comprise over 90 per cent of the United Kingdom pig-iron and crude steel capacity. Agreement in principle that a measure for the nationalisation of the iron and steel industry should be introduced during the First Session of Parliament. C (64) 5, (64) 2 (3).

Emphasis, in Ministers' speeches, to be put upon the contribution nationalisation would make to the expansion of exports. (64) 11 (3).

Avoidance, by Ministers, of any unofficial discussions about forthcoming legislation on the re-nationalisation of iron and steel. 15 (4).

Iron and Steel Nationalisation Bill: the British Iron and Steel Company and its associated trading companies not to be included. Thirteen major groups to be controlled by a National Steel Corporation; the Iron and Steel Board to be abolished. Further consideration to be given to the timing of the publication of the White Paper. C 39, C 42, 17 (3).


Compensation provisions for inclusion in the White Paper on Iron and Steel Nationalisation—to be published on Friday, 30th April. 27 (2).

Future treatment of legislation. 52 (3); 53 (2).

ISRAEL

See—

FOREIGN SECRETARY'S VISIT OVERSEAS.
UNITED ARAB REPUBLIC.

ITALY

Claim that a peace overture on Vietnam had been made to an Italian in Hanoi—repudiated by the North Vietnamese authorities. 72 (2).

J

JAPAN

See FOREIGN SECRETARY'S VISIT OVERSEAS.

JUDICIAL SALARIES

See also PRICES AND INCOMES POLICY.
Increase in the salaries of the higher judiciary: no immediate public announcement to be made in view of its possible impact on the incomes policy. The quantum of increase to be further discussed. C (64) 26, (64) 15 (6).

Increase—the amount agreed: the date of the announcement and the necessary legislation to be arranged. C 76, 31 (4).
JUSTICES OF THE PEACE

See TRAINING OF JUSTICES OF THE PEACE IN ENGLAND AND WALES AND THE POSITION OF EX-OFFICIO JUSTICES OF THE PEACE.

JUVENILE DELINQUENCY

See REFORMS RELATING TO YOUNG PEOPLE IN TROUBLE.

K

KASHMIR

See also—

FOREIGN SECRETARY'S VISIT TO THE SOVIET UNION.
MILITARY AID TO INDIA AND PAKISTAN.
RANN OF KUTCH.

Hostilities between India and Pakistan over the cease-fire line. United Nations intercession. United Kingdom: supply of arms to the combatants: non-military assistance—financial, technical and commercial. 47 (2).

Cease-fire proposals by the Secretary-General of the United Nations rejected by the Governments of India and Pakistan: possible action to be taken at the meeting of the Security Council. 48 (2).

The Governments of India and Pakistan to conform with the Security Council resolution calling for a cease-fire. Offer by the Soviet Government to mediate. Resentment by the contestants, about the United Kingdom attitude to the conflict. 49 (1).

KENNEDY ROUND

See EUROPEAN FREE TRADE ASSOCIATION.

KOREA

See FOREIGN SECRETARY'S VISIT OVERSEAS.

L

LAND COMMISSION


Development value of land: exemption from capital gains tax, but subject to an increasing betterment levy. Permanent endowment land of charities to be exempt from betterment levy. Publication of a White Paper. C 95, C 96, C 100, C 102, 37 (3).

LAUNCHER DEVELOPMENT

See EUROPEAN LAUNCHER DEVELOPMENT.

LAW COMMISSIONS

The establishment of Law Commissions for England, Wales and Scotland to review, consolidate, revise, and put forward proposals for the reform of particular areas of the law. C (64) 27, (64) 15 (3).

LAW REFORM

See LAW COMMISSIONS.

LAWRENCE COMMITTEE

See REMUNERATION OF MINISTERS AND MEMBERS OF PARLIAMENT.

LEASEHOLD REFORM

Government pledge to electors; leasehold enfranchisement; extension of lease; leases held by Local Authorities. The effect on charities and other organisations with holdings—further proposals to be considered. C 184, C 185, C 186, 73 (2).

LEGISLATIVE PROGRAMME, 1964-65

See also PARLIAMENT.

Consideration of the eligibility of certain Bills for inclusion in the legislative programme for 1964-65; also of the possibility of arranging for certain Bills to be carried over, by Resolution, into the following Session. C (64) 16, (64) 9 (7).

Children's Service for Greater London: proposed Bill considered for inclusion in the legislative programme. C (64) 20, (64) 11 (7); (64) 12 (3).

Children's Service for Greater London: Government not to proceed with the proposed Bill. C 2, 1 (2).

Bills to be introduced during July; length of present Session; planning of legislative programme for the next Session. 29; 30 (2).
LEGISLATIVE PROGRAMME, 1965-66
Main programme devoted to Bills to implement social policies, but time to be allowed for Bills
which had not been passed in the Session, 1964-65, and for Bills necessary for economic reasons
or as policy in other fields developed. Provisional legislative programme. 35 (4).
Allocation of priorities: the number of Bills in excess of time available—some Bills to be deferred
until next Session. C 133, 53 (3).
Delay in reaching decisions on the content of Bills liable to jeopardise the Government's programme
of legislation in the current Session. 64 (1).

LOCAL AUTHORITIES
See—
ECONOMIC SITUATION.
EDUCATION.
GREATER LONDON COUNCIL.
HOUSING.
LOCAL GOVERNMENT FINANCE.
PUBLIC EXPENDITURE.

LOCAL GOVERNMENT FINANCE
See also—
ECONOMIC SITUATION.
HOUSING.
PUBLIC EXPENDITURE.

General grants to local authorities; fixing of rate demands; transfer of expenditure from rates to
taxes; issues to be clarified and re-submitted to the Cabinet. C (64) 21, C (64) 22, (64) 12 (2).
A Bill to modify the present system of Exchequer grants to be prepared. A short Bill to be
introduced, as an interim measure, to provide relief for low income ratepayers in advance of a
general measure of rating reform. C 121, 45 (4).
Exchequer grants: specific grants for certain services; Rates Support Grant. Legislation to be
introduced in the next Session of Parliament. C 125, C 126, C 127, 48 (1).
Rate rebates and rates by instalments: proposal for a short Bill to provide a measure of relief to
ratepayers with low incomes and to make provision for domestic ratepayers to pay rates by
monthly instalments to precede a basic reform of the rating system. C 132, 51 (2).
Rate rebates: minimum rate liability and income limit for full relief for a single person of small
means. C 159, C 160, 64 (4).

LONDON
See—
GREATER LONDON COUNCIL.
INDUSTRIAL DISPUTES.
LONDON TRANSPORT FARES.

LONDON AIRPORT
See SOUNDPROOFING OF PRIVATE HOUSES NEAR LONDON AIRPORT.

LONDON TRANSPORT FARES
Fares to be increased—effect on prices and incomes; the possibility of raising revenue on the use
of private cars in London. Traffic congestion. Exchequer subsidy. A statement to be made on the
Government's policy on the problems of public and private transport in London. C 153,
63 (1); C 158, 68 (3).

MAGNA CARTA
See PARLIAMENT.

MAGISTRATES
See TRAINING OF JUSTICES OF THE PEACE IN ENGLAND AND WALES AND THE POSITION OF EX-OFFICIO
JUSTICES OF THE PEACE.

MALAYSIA
See INDONESIA.

MANCHESTER, NEW TOWN FOR
Proposal for a new town at Leyland/Chorley as a second stage in a plan to meet the housing
needs of Manchester, the first stage of which would be the development of Risley. The industrial
content of the new town should be provided, as far as possible, by the transfer of industry
and offices from Manchester. C 13, C 14, 7 (5).
MEDICAL EDUCATION
See also Health Service.
An authoritative body to be established to examine medical education including the high cost of training, organisation of medical schools and the relationship to the development of the National Health Service. A recommendation to be made for the appointment of a Royal Commission on medical education. C 25, 11 (4).

MIDDLE EAST
See also United Arab Republic.
Genuine attempt by Governments in the Middle East to modernise their economies and improve standard of living. United Kingdom policy to reduce tension in the area. Value of the Central Treaty Organisation (CENTO) to be examined. A reduction of United Kingdom commitments in the Middle East necessary to achieve defence economies, while maintaining stability and ensuring the continued supply of oil from the area. C 49, 19 (2); 49 (3).

MILITARY AID TO INDIA AND PAKISTAN
See also Kashmir.
Hunter aircraft to be offered to India. The United States Government to be consulted about the scope and implications of the programme of continuing military aid to India and Pakistan. C 60, 24 (3).
Oberon class submarine for India and Pakistan: refusal by the United States Government to meet the requirements. The United Kingdom not to offer to provide submarines on credit terms. Consideration to be given to the principles on which United Kingdom military aid should be provided to third countries. C 64, 26 (3).
Kashmir: the supply of arms by the United Kingdom to the combatants. 47 (2).

MINERAL RIGHTS IN NORTHERN RHODESIA
See Zambia.

MINISTER WITHOUT PORTFOLIO
See Public Expenditure.

MINISTERIAL TRAVEL
See Cabinet.

MONETARY FUND, THE INTERNATIONAL
See—
European Free Trade Association.
Import Charges.

MORTGAGES
See Housing.

MULTILATERAL FORCE
See—
Atlantic Nuclear Force.
Prime Minister’s visit to Washington and Ottawa, December 1964.
Prime Minister’s visit to New York, Washington and Ottawa, December 1965.

MURDER (ABOLITION OF DEATH PENALTY) BILL
See Parliament.

MUSEUM
National Army Museum to be moved from Sandhurst; option on a site in the grounds of the Royal Hospital, Chelsea; cost to be raised by public appeal. The Government’s decision conditional; no assumption that the proposed Royal Air Force Museum could also be sited in London. C 36, 14 (2).

NATIONAL ASSISTANCE
See—
National Insurance.
Social Security.

NATIONAL BOARD FOR PRICES AND INCOMES
See Prices and Incomes Policy.

NATIONAL COAL BOARD
See Coal Industry.
An increase in National Insurance benefits for single persons and married couples, to take effect from April 1965. Abolition of prescription charges. C (64) 7, C (64) 8, (64) 3 (3).

Increased National Insurance benefits—possible advancement of the date; abolition of the rule relating to widows' earnings. Supplementation of National Insurance benefits during winter. (64) 9 (2).

Increased National Insurance benefits—due to the economic situation and with the exception of agreed concessions, increased benefits and National Assistance scales would not take effect until March 1965. C (64) 18, C (64) 19, (64) 10 (1).

Increases in flat-rate benefits and the introduction of the Income Guarantee scheme—issues to be examined. C 101, 38 (3).

Earnings-related short-term benefits—

- Widows' allowance and industrial injury benefit. Proposals to be discussed with the Trades Union Congress and other bodies. C 112, 43 (4).
- Widows' allowance—degree of priority to be accorded and the implications for other expenditure in the field of social services. C 137, 54 (3).
- Improvement of the provision for widows' agreed despite the limiting effect of the proposal on other expenditure in the field. C 38, 55 (3).
- Injury benefit; sick pay, graduated pension scheme—inclusion of those contracted out of the present scheme. Consultations with the TUC, CBI and other bodies. Discussion to be resumed. C 112, C 145, 60 (3).

Graduated National Insurance pension scheme: changes in present arrangements—implications for public service employees, possible modification of the principle of abatement; effect of the Armed Forces. Alternative proposals to be considered for those contracted out of the graduated pension scheme. C 157, 63 (3): 64 (2).

Graduated contributions to be paid by contracted-out employees. Modification of the general provisions of the act in its application to the Armed Forces. C 112, C 167, 68 (4).

NATIONALISATION

See IRON AND STEEL NATIONALISATION.

NEW TOWN

See MANCHESTER, NEW TOWN FOR

NIGERIA

Proposed Association Agreement between Nigeria and the European Economic Community. C 128.

NOISE

See SOUNDBOOKING OF PRIVATE HOUSES NEAR LONDON AIRPORT.

NORTH ATLANTIC TREATY ORGANISATION (NATO)

See also—

- ATLANTIC NUCLEAR FORCE.
- DEFENCE AND OVERSEA POLICY.
- DISARMAMENT.
- FOREIGN SECRETARY'S VISIT OVERSEAS.
- FOREIGN SECRETARY'S VISIT TO THE SOVIET UNION.
- GERMANY, FEDERAL REPUBLIC OF.
- GREECE.
- PRIME MINISTER'S VISIT TO WASHINGTON AND OTTAWA, DECEMBER 1964.
- PRIME MINISTER'S VISIT TO NEW YORK, WASHINGTON AND OTTAWA, DECEMBER 1965.

French disagreement about the Atlantic Nuclear Force and hostility to NATO. Unless NATO could be re-organised in a manner more acceptable to French views, the French Government might dissociate themselves from the Organisation. (64) 16 (2).
Atlantic Nuclear Force: opinion of the United States Government that proposals should proceed as expeditiously as possible; reaction of the Federal German Republic not unfavourable but recent discussions between President de Gaulle and the Federal Chancellor might lead to some modification of this attitude. 3 (2).

Ministerial Council meeting in London: debate on South-East Asia—no suggestion of the withdrawal of United States support for South Vietnam, but the conviction was expressed that the United States should seek to resolve the conflict by negotiation and keep other members of NATO more closely informed of its policies. 30 (5).

Draft of a treaty providing for the non-dissemination of nuclear weapons circulated to the NATO Council. 43 (1).


NORTHERN IRELAND
See Trade Disputes Bill.

NORTHERN RHODESIA
See Zambia.

NUCLEAR ARMS
See also—
Atlantic Nuclear Force.
Defence and Oversea Policy.
Disarmament.
Europe.
Foreign Secretary's visit Overseas.
Foreign Secretary's visit to the Soviet Union.
Home Defence and the Territorial Army.
North Atlantic Treaty Organisation.
Prime Minister's visit to Washington and Ottawa, December 1964.
Prime Minister's visit to New York, Washington and Ottawa, December 1965.

Retention of United Kingdom nuclear capability east of Suez as an interim measure pending the promotion of some form of collective security in Asia. C 48, 19 (2).

NUCLEAR TESTS
See China.

OFFICE BUILDING
Control of office building in the London Metropolitan Region. C (64) 10, (64) 5 (2).

Intensification of ban on building new offices and other non-essential premises and the release of resources for housing—to be considered. 9 (3).

OLD AGE PENSIONS
See National Insurance.

OMBUDSMAN
See Parliamentary Commissioner.

OUTLINE PLAN
See Economic Situation.

OVERSEAS AID
See also—
Ceylon.
Kashmir.
Public Expenditure.
Prime Minister's visit to New York, Washington and Ottawa, December 1965.


Aid Programme: draft White Paper; date of publication. C 105, 39 (2).

Level of overseas aid: no provision for increases to compensate for rising prices—aid programme to be considered with regard to this factor. C 101, 43 (3).

OVERSEA AFFAIRS

See—

ADEN.
ALGERIA.
CAMBODIA.
CEYLON.
CHINA.
CONGO.
DOMINICAN REPUBLIC.
EUROPE.
EUROPEAN FREE TRADE ASSOCIATION.
FOREIGN POLICY.
FOREIGN SECRETARY'S VISIT OVERSEAS.
FOREIGN SECRETARY'S VISIT TO THE SOVIET UNION.
GERMANY, FEDERAL REPUBLIC OF
GREECE.
INDONESIA.
IRAN.
KASHMIR.
MIDDLE EAST.
NORTH ATLANTIC TREATY ORGANISATION.
OTTAWA.
PRIME MINISTER'S VISIT TO WASHINGTON AND OTTAWA, DECEMBER 1964.
PRIME MINISTER'S VISIT TO NEW YORK, WASHINGTON AND OTTAWA, DECEMBER 1965.
RHODESIA.
SOUTH ARABIA.
SOUTH-EAST ASIA.
SOVIET UNION.
SPAIN.
SUDAN.
TURKEY.
UNITED ARAB REPUBLIC.
UNITED NATIONS.
UNITED STATES OF AMERICA.
VIETNAM.
ZAMBIA.

PAKISTAN

See—

FOREIGN SECRETARY'S VISIT TO THE SOVIET UNION.
KASHMIR.
MILITARY AID TO INDIA AND PAKISTAN.
RANN OF KUTCH.

PARLIAMENT

See also—

CABINET.
EVICTION BILL.
LEGISLATIVE PROGRAMME.
PARLIAMENTARY COMMISSIONER.
PARLIAMENTARY MISSION.
PARLIAMENTARY PRIVATE SECRETARIES.
QUEEN'S SPEECH, OPENING OF PARLIAMENT.
QUEEN'S SPEECH, PROROGATION OF PARLIAMENT.
REMUNERATION OF MINISTERS AND MEMBERS OF PARLIAMENT.
TELEVISING PARLIAMENTARY PROCEEDINGS.

Abolition of death penalty—

Murder (Abolition of Death Penalty) Bill; Second Reading, 21st December, 1964; free vote. (64) 13 (1).
Standing Committee “C” discharged from further consideration of the Murder (Abolition of Death Penalty) Bill; the Bill committed to a Committee of the whole House; principle of free vote to be preserved; the prevention, if possible, of the adoption of any amendments to the Bill. 15 (2).
The Government are prepared to provide a half day for the remaining stages of the Bill provided that the amendment to delete Clause 3 is withdrawn. 35 (1).

Abortion—

10-Minute Rule Motion tabled by Mrs. Renee Short, M.P., for leave to introduce a Bill amending the law. Government supporters to vote according to their personal convictions. 32 (1).
An Abortion Bill introduced by Lord Silkin in the House of Lords; Government spokesmen to maintain an attitude of strict neutrality. 64 (1).
PARLIAMENT (continued)

Anniversary of Parliament—
700th anniversary of the Parliament summoned by Simon de Montfort and the 750th anniversary of Magna Carta; possibility of a simple Parliamentary ceremony, and subsequently a commemorative postage stamp. Possible creation of a Commonwealth consultative assembly. Commonwealth countries, the United States and the Hansard Society to be considered for association with the celebrations. C (64) 24, (64) 13 (4).

Motions of Censure—
Discussion of the terms of an amendment to the Opposition Motion of Censure to be debated on Tuesday, 2nd February. 5 (1).
TSR-2: Opposition Motion of Censure on a decision to cancel, the House of Commons to reassemble on Monday, 26th April, instead of Tuesday, 27th April, following the Easter Recess. 24 (1).
The Opposition to move a Motion of Censure against the Government on Monday, 2nd August. 40 (1).
Rhodesia: Censure Motion by a member of the Opposition on Government policy. 64 (1).

Defence policy—
Proposal that the Opposition be invited to discuss defence policy with the Government. (64) 15 (2).

Parliamentary business—
Rearrangement of the order of, due to the adjournment during Sir Winston Churchill's Lying-in-State. Arrangements about the release of certain statements which would otherwise have been made in Parliament. 4 (2).
Due to the time occupied by the Finance Bill debates Parliament will sit during the first week of August. Government business would be completed by sitting eight days in October but certain Bills would not receive Royal assent until the autumn. 35 (1).

War Damage Bill—
Second Reading in the House of Lords: if rejected the Government would invoke the Parliament Act to secure passage of the Bill; no payments would be made from public funds contrary to the intentions of the Bill. 18 (1); 31 (1).
Christmas Recess arrangements. 69 (1).

PARLIAMENTARY COMMISSIONER
The establishment of a Parliamentary Commissioner for administration. Right of access to the Commissioner. Scope and limitations. C 30, 23 (2).
Draft White Paper. Further consideration to be given to the question of Ministerial responsibility for the White Paper and the ensuing Bill, and to the timing of publication. C 106, 40 (7).

PARLIAMENTARY MISSION
See Rhodesia.

PARLIAMENTARY PRIVATE SECRETARIES
Parliamentary Private Secretaries to consult with their own Ministers and the Chief Whip before intervening publicly on any matter affecting Government business. 57 (2).

PAROLE SYSTEM
See Adult Offender.

PAY
See—
INDUSTRIAL DISPUTES.
PRICES AND INCOMES POLICY.

PENAL REFORM
See Adult Offender.

PENSIONS
See also—
NATIONAL INSURANCE.
REMUNERATION OF MINISTERS AND MEMBERS OF PARLIAMENT.
PUBLIC SERVICE PENSIONS.

PIGS
See Farm Price Review.
POLICE AND PRISONS
See also—
ADULT OFFENDER.
PUBLIC EXPENDITURE.
REFORMS RELATING TO YOUNG PEOPLE IN TROUBLE.

Proposed additional programme, £10 million in 1969–70; schemes for paying prisoners industrial rates of wages would have to be limited. C 101, 28 (3).

POLITICAL CONTRIBUTIONS

Provisions for implementing the Government's decision to require companies to disclose to shareholders any contributions made to political organisations. C 124, 49 (2).

POLITICAL DISTRICTS

Advice to Acting Returning Officers about the preparation of poll cards based on the new register. S (6).

POST OFFICE
See also POSTAL TARIFFS.

Post Office parcels service to be included in the enquiry into the carriage of parcels and sundries. 5 (6).

POSTAL TARIFFS

Postal services heavily in deficit; an increase in investment may be necessary to improve the standard of services. Increases in Post Office tariffs agreed in principle. The Postmaster-General to review proposed increases in parcel rates. C 1, 1 (4); 5 (5).

PRESS, THE
See CABINET.

PRICES AND INCOMES POLICY
See also—
COAL INDUSTRY.
DOCTORS' PAY.
ECONOMIC SITUATION.
FARM PRICE REVIEW.
INDUSTRIAL DISPUTES.
JUDICIAL SALARIES.
LONDON TRANSPORT FARES.
SOCIAL SECURITY.

Agreement with both sides of industry on a joint statement of intent on prices and incomes; proposal that the next instalment of negotiations be started, possibly through the National Economic Development Council. (64) 15 (5).

Establishment of a National Prices and Incomes Board—the agreement of the TUC and employers' organisations hoped for soon. Draft of a Command paper to be presented to Parliament as soon as agreement is reached. C 16, 7 (4).

Definition of the criteria governing the behaviour of prices and incomes. The Chairman of the National Board for Prices and Incomes appointed; functions of the Board. Publication of a White Paper. C 47, 18 (3).

Increases in prices and incomes a threat to the economic position. Wage claims awaiting consideration. The establishment of the right climate of opinion to enable reference to be made to the Prices and Incomes Board. Issues involved to be further considered by the Economic Development Committee. C 81, 33 (7).

The measures proposed. Prices and incomes—the Government's policy to be placed on a statutory basis. The relation of the functions of arbitration tribunals and such bodies to the functions of the National Board for Prices and Incomes. 46 (1).

Proposed legislation: the National Board to be placed on a statutory basis with power to require evidence from witnesses and the production of documents; powers and penalties; the obligations of employers and trade unions. Prices: precise provisions to be further discussed. C 141, 57 (5).

Armed Forces pay: the present system of determining to be reconsidered—possible compromise award, with reference to the Prices and Incomes Board for any additional increase. Civil Service salaries and the "Grigg" system. Wages and salaries in the public sector—settlement by comparison with earnings in other occupations. C 144, C 148, C 154, 61 (2) 62 (3).

Pay of the Higher Civil Service: the Franks Committee recommendations and reference to the Prices and Incomes Board. Possible effect on the work of the Review Body on Doctors' and Dentists' Remuneration. C 146, C 147, 62 (4).

The pay of the Armed Forces and the Franks Committee's recommendations on the pay of the Higher Civil Service to be referred to the National Board. Draft terms of reference to the Board. C 156, 63 (2).
Scottish teachers salaries: increases lagging behind those awarded to English teachers; increase to be given—with reference to the Prices and Incomes Board to decide if a fair relationship had been achieved and to consider arrangements to bring the salaries of English and Scottish teachers to review simultaneously on future occasions. C 182, C 187, 73 (3).

Prices and Incomes Policy. C 123.

PRIME MINISTER'S VISIT TO WASHINGTON AND OTTAWA, DECEMBER 1964

See also—

DEFENCE AND OVERSEAS POLICY.

PRIME MINISTER'S VISIT TO NEW YORK, WASHINGTON AND OTTAWA, DECEMBER 1965.

Washington

Discussions between the Prime Minister, Foreign Secretary and the Secretary of State for Defence and the President and members of the United States Administration.

Military role—
Value of world-wide military role of United Kingdom in collaboration with the Commonwealth.

Defence expenditure—
Burden of, and measures to adjust balance of payments. Defence research and weapons production: possibilities of closer co-operation.

Atlantic alliance—
Future nuclear role of, complete agreement on objectives.

Atlantic Nuclear Force—
United Kingdom's position reserved. No question of United States waiving their veto in relation to such a fleet.

Nuclear capabilities—
Risks of a proliferation of, in India and the Far East. It may be necessary, at some point in the future, to seek to establish in relation to Indian Ocean and the Far East an arrangement for nuclear interdependence, as was being attempted in Europe.

Vietnam—
United States anxious for the United Kingdom to make a positive military contribution in Vietnam; pressure on this issue was resisted on the grounds of commitments in Malaysia and other factors.

British Guiana—
United Kingdom not prepared to concede independence until inter-racial peace was established.

Germany—
Withdrawal of ground forces from Germany not likely in the near future, but continued efforts to reduce east-west tension by a progressive reduction of European force levels of both NATO and the Warsaw Pact.

Ottawa

Prime Minister, Foreign Secretary and Commonwealth Secretary's visit to Canada: Canadian Government sensitive to probable reactions of the French Government to the Allied Nuclear Force. Risk of proliferation of nuclear weapons; would support the concept of nuclear inter-dependence in areas outside Europe. (64) 14 (2).

PRIME MINISTER'S VISIT TO NEW YORK, WASHINGTON AND OTTAWA, DECEMBER 1965

See also PRIME MINISTER'S VISIT TO WASHINGTON AND OTTAWA, DECEMBER 1964.

United Nations—
Prime Minister's address boycotted by a number of African delegations.

Rhodesia—
Full support from the United States. Agreement on oil embargo.

Atlantic Nuclear Force—
Nuclear sharing by Germany—machinery established in NATO. European countries to decide own solution to the problem.

Defence review—
United Kingdom role in Africa and Asia; forces in Germany; foreign exchange burden.

Vietnam—
United States desire for a peaceful settlement, would welcome a United Kingdom initiative to promote negotiations.

Asian Development Bank—
No possible increase in United Kingdom contribution without United States help elsewhere. Further discussions to be held. 72 (2).

SECRET
National expansion of revenue in 1965-66 fully absorbed by increased expenditure from programmes inherited from the previous Administration; it would not be possible to endorse all proposals for new expenditure in 1965-66. Increased National Insurance benefits. Abolition of prescription charges. C (64) 7, C (64) 8, (64) 3 (3).

Planning of public sector expenditure to be based on average annual rate of increase of 4% per cent at 1964 prices. Greater weight to be given to proposals that assist economic growth. Overseas economic aid programme to be reviewed. No announcements of new commitments to be made without Cabinet approval. C 10, 5 (3).

The Chief Secretary to the Treasury to have specific responsibility, under the Chancellor of the Exchequer, in the field of public expenditure. 7 (1).

Vote on Account, 1965-66: amendments to proposed statement to Parliament. Statement to be revised and considered at a later date. C 24, 10 (4).

Vote on Account: draft of Parliamentary Statement; annual rate of increase of public and private expenditure restricted to increased national production. Draft Statement accepted as amended. C 27, 11 (3).


Limitation on public expenditure to be maintained; control over private sector expenditure to be established. The National Economic Plan: limitation on additional programmes. Allocation of individual programmes: health, benefits and assistance, police and prisons; wage-related short-term benefits. Desirability of establishing control over housebuilding and less essential building in the private sector. Roads: the Minister of Transport to consider the desirability of promoting an enquiry into the rising costs of construction. C 97, C 98, C 101, 38 (3).


Overseas aid programme: no provision for increases to compensate for rising prices—aid programme to be considered with regard to this. Social Security benefits and income guarantee: scheme for remodeling National Assistance and setting up a Ministry of Social Security to administer. S. Housing: the Minister of Housing and Local Government to keep the balance between public and private sector building under review. Expenditure programmes, other than overseas aid, approved. C 101, C 108, 43 (3).


Review of Public Expenditure: a standing Cabinet Committee to be constituted to consider and keep under review programmes of public expenditure. 50 (1).

Housing programme, 1965-70; draft White Paper—allocation of housebuilding between the public and private sectors; subsidies; improvement grants; mortgage loans. C 151, C 152, 62 (6).

Planning and Control of Public Expenditure: draft White Paper; amendments; date of publication. C 167, 68 (5).

Public sector capital programmes, including housing, to be reviewed in January in the light of the economic and financial position then operating. 68 (4).


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PUBLIC RECORDS
See Fifty-Year Rule.
PUBLIC SCHOOLS
See Education.

PUBLIC SERVICE PENSIONS
See also National Insurance.
Request by the Staff Side of the National Whitley Council for unestablished Civil Service prior to July 1949, to be reckoned in full for pension purposes; priority for such negotiations not justified in the present circumstances. Consideration to be given to proposals for a general increase in pensions for public servants. C 103, 40 (4).

PUBLIC TRANSPORT
See—
Industrial Disputes.
London Transport Fares.
Transport.

PUBLICATION OF WHITE PAPERS
Lord President to review the forward programme of publication of departmental White Papers. 35 (2).
Publication of departmental White Papers to be deferred until after the Summer Recess. Discussion to be resumed. 37 (1).

QUEEN'S SPEECH, OPENING OF PARLIAMENT
Session, 1964-65—
Commitments to be undertaken in the Speech for legislation to be introduced in the first Session of Parliament. Draft, textual amendments. C (64) 3, (64) 2 (4).
Revised draft approved subject to approved amendments. C (64) 5, (64) 4 (1).
The Queen's Speech on the Opening of Parliament. C (64) 9.

Session, 1965-66—
References to the docks and Widows' benefits to be included; no special reference to Wales to be added. Draft text approved subject to agreed amendments. C 135, 55 (4).
The Queen's Speech on the Opening of Parliament. C 140.

QUEEN'S SPEECH, PROROGATION OF PARLIAMENT
Reference to be made to the meeting of the First Commonwealth Medical Conference. Draft approved subject to agreed amendments. C 134, 53 (4).
The Queen's Speech on the Prorogation of Parliament. C 139.

RACE RELATIONS BILL
See Racial Discrimination and Incitement to Racial Hatred.

RACIAL DISCRIMINATION AND INCITEMENT TO RACIAL HATRED
See also Commonwealth Immigration.
Legislation to deal with racial discrimination and incitement to racial hatred: Section 5 of the Public Order Act, 1936, to apply to the written, as well as the spoken, word; prosecution to be instituted only by, or on behalf of, the Attorney-General. Provisions of the Bill not to be extended to discrimination or incitement on religious grounds. Proposal that discriminatory covenants should be unenforceable in law, to be further considered. The Minister of Labour to consider whether the TUC should be invited to issue a public statement deploring discrimination on grounds of race or colour. C 23, 11 (5).
(Remit to the Minister of Labour discharged. It was decided not to pursue the question of a public statement by the TUC. See Cabinet Office File 27/10/55.)
Race Relations Bill: conciliation machinery; provision for the establishment of a Race Relations Board. C 77, 31 (3).

RAILWAYS
See Transport.

RANN OF KUTCH
See also—
Kashmir.
Military Aid to India and Pakistan.
Agreement obtained by the United Kingdom High Commissioners in India and Pakistan to a cessation of fighting in the Rann of Kutch. 28 (2).
RATES
See LOCAL GOVERNMENT FINANCE.

REFORM OF THE PENAL SYSTEM
See ADULT OFFENDER.

REFORMS RELATING TO YOUNG PEOPLE IN TROUBLE

REMUNERATION OF MINISTERS AND MEMBERS OF PARLIAMENT
Report of the Lawrence Committee: agreement that the Government should accept the recommendations in respect of salaries, allowances and contributory pensions scheme for Members of Parliament and allowances for Members of the House of Lords. Report to be published on 16th November; the Government's conclusions to be announced in the House of Commons on the same afternoon. C (64) 12, C (64) 14, (64) 8 (3).

Pensions, ex-officio and contributory. C (64) 17, (64) 11 (6).

RENT BILL
See also EVICTION BILL, PROTECTION FROM.

Repeal of the Rent Act, 1957. Further consideration to be given to: service lettings, protection from eviction, appointment of rent officers and other questions during preparation of the Bill. C (64) 20, (64) 10 (1).

Draft of a White Paper. An acceptable solution reached on the problem of tied cottages. Harassment of tenants by landlords by acts of commission and omission. The distinction to be made between possible future legislation and the review of existing housing law by the Law Commission in the draft White Paper. C 45, 17 (4).

RHODESIA
See also—
FOREIGN SECRETARY'S VISIT OVERSEAS.
FOREIGN SECRETARY'S VISIT TO THE SOVIET UNION.
PARLIAMENT.
PRIME MINISTER'S VISIT TO NEW YORK, WASHINGTON AND OTTAWA, DECEMBER 1965.

The Prime Minister of Southern Rhodesia, Mr. Ian Smith, advised that the United Kingdom Government took the same view as their predecessors on the issue of independence. (64) 1 (3).

The Government of Southern Rhodesia's proposed method of ascertaining African opinion unacceptable to the United Kingdom Government. Offer by the Commonwealth Secretary to visit Salisbury if he could consult detained African nationalist leaders. (64) 2 (2).

Proposal for a Parliamentary mission to visit Southern Rhodesia. C (64) 25, (64) 14 (3).

Rejection by the Prime Minister of Rhodesia of the suggestion of a visit by a Parliamentary Commission to the Colony. Indications that relations with Southern Rhodesia were about to enter a critical phase. In the event of Mr. Smith visiting London, an attempt must be made to persuade him to moderate his attitude. Economic consequences of a unilateral declaration of independence would be serious for both the United Kingdom and Zambia; Ministers should avoid any public statement which might precipitate this step. 3 (2).

Funeral of Sir Winston Churchill—Mr. Ian Smith to attend. President Kaunda of Zambia might also be in London: a possible opportunity for informal discussions about Southern Rhodesian problems. 5 (2).

Discussion with the Prime Minister of Southern Rhodesia during his visit to London for the funeral of Sir Winston Churchill: views of the Governments of the United Kingdom and Rhodesia now virtually irreconcilable. Mr. Smith seeking to justify a unilateral declaration of independence; no further attempt to ascertain the views of the African population. Possible means by which the copper mines of Zambia could be kept in operation during any attempt to disrupt them—to be examined; application of economic pressure, if necessary. Agreement in principle that a small Ministerial mission should visit Rhodesia in the near future. 6 (3).

The good wishes of the Cabinet to the Lord Chancellor and the Commonwealth Secretary on their forthcoming visit to Southern Rhodesia. 10 (2).

Situation deteriorating—possibility that the Government of the Colony might make a unilateral declaration of independence after the forthcoming general election. Visit of the Lord Chancellor and the Commonwealth Secretary. Mr. Smith to be asked to clarify his intentions on certain tentative proposals made to them during their recent mission. Review of measures to be taken if a unilateral declaration is made in the near future. 25 (2).

A General Election to be held in Rhodesia in May. A basis for negotiated independence still to be sought. A unilateral declaration increasingly probable. Consideration to be given to a public reply to the Rhodesian White Paper. 26 (2).

Debate on Rhodesia in the United Nations Security Council—draft Resolution, United Kingdom to abstain. Risk of provoking a unilateral declaration of independence. 28 (2).

Commonwealth Prime Ministers' Meeting: the Prime Minister to offer for inclusion in the final communique a proposal for a constitutional conference. 34 (2).

The Minister of State for Commonwealth Relations to visit Salisbury to ascertain how the current discussions with the Rhodesian Government on the future constitutional development of the territory should proceed. 40 (2).
RHODESIA (continued)

Relations with the Rhodesian Government deteriorating; possibility of a unilateral declaration of independence. Support for Rhodesia unlikely except from the Governments of South Africa and Portugal. The potential threat to Zambian copper exports. 47 (1).

Increasing pressure in Rhodesia for a unilateral declaration of independence. Possibility that the declaration would eventually be made. Discussions to be held with Mr. Smith. 49 (1).

Discussions between the Commonwealth Secretary and the Prime Minister of Southern Rhodesia. Action to be taken by the United Kingdom in the event of a unilateral declaration of independence. 50 (4).

Discussions between Mr. Wilson and Mr. Ian Smith. Consequences of a unilateral declaration. Proposal for a Commonwealth Mission to visit Rhodesia. C 131, 51 (1).

Rhodesian proposal that the United Kingdom Government should concede independence on the basis of the 1961 Constitution. Proposed visit by the Prime Minister to Rhodesia in an attempt to renew negotiations. 52 (1).

Acceptance, by the Government of Rhodesia, of the Prime Minister's offer to visit Salisbury. 53 (1).

Letter from The Queen to the Prime Minister of Southern Rhodesia. 54 (2).

State of current discussions in Rhodesia. 55 (2).

Texts of: The Prime Minister's statement to the House of Commons on the outcome of his consultations with the Rhodesian Government; a report by the Commonwealth Secretary and the Attorney-General on the result of further discussions with the Rhodesian Government; a letter from the Prime Minister of Rhodesia; part of the discussions held with Rhodesian Ministers in London in September 1964. Proposal for a Royal Commission on constitutional issues. C 142, 56 (1).

The Prime Minister of Rhodesia apparently committed to the concept of a Royal Commission. The political situation in Rhodesia. 57 (3).

Discussions with the Chief Justice of Rhodesia. Situation in Rhodesia critical; signs that a unilateral declaration of independence is imminent. Possibility of a division within the Rhodesian Cabinet. Conditions under which the Royal Commission report, if unanimous in favour of the 1961 constitution, would be recommended for acceptance by Parliament. 58; 59.

Proposal that a senior Minister should visit Salisbury to sign an agreement setting up the Royal Commission. Mr. Smith's opinion that the positions of the two Governments were irreconcilable. An illegal declaration of independence now almost certain. General Enabling Bill; Rhodesian sterling balances; action in the United Nations. News received of an announcement by the Rhodesian Government of an illegal declaration of independence. C 149, 60 (1).

Measures devised against Rhodesia put into effect. Situation in the Security Council of the United Nations delicately balanced. General economic sanctions and financial measures—application of increasing pressure. 61 (1).


Request by President Kaunda of Zambia for United Kingdom Forces to safeguard the Kariba power station and protect the country against attack. 65; 66 (1); 67 (2).

Help for loyal civil servants in Rhodesia. C 161, 66 (2).

Intensification of economic measures: ban on the import of sugar, tobacco, agricultural products, minerals, metals and oil. Approaches to be made to the United States and other major exporters in an attempt to persuade them to co-operate. Preparations to ensure the economic survival of Zambia. 65 (2).

Intensified financial measures: control to be taken over of the Reserve Bank of Rhodesia. Suspension of the payment of pensions to pensioners in Rhodesia. C 163, 66 (2).

Consideration to be given to arrangements whereby United Kingdom pensions might be paid to pensioners in Rhodesia where desirable on humanitarian grounds. 67 (2).

Refusal, by President Kaunda of Zambia, of offer to station United Kingdom troops in Zambia. Possibility of a Commonwealth force, sponsored by the International Bank for Reconstruction and Development. Oil embargo: a premature attempt to curtail supplies would affect the Zambian economy. 68 (2).

Ultimatum by the Organisation for African Unity for cessation of diplomatic relations with the United Kingdom if the illegal régime in Rhodesia were not ended by 15th December. No concessions in negotiations with the illegal régime in Rhodesia. 69 (3).

Proposal by the Prime Minister of Nigeria for a meeting of Heads of Commonwealth Governments. Oil embargo: discussions with the United States Government. Finance for Zambia contingency planning. 70 (1).

Expiry of ultimatum by the Organisation for African Unity—severance of diplomatic relations: consequences to United Kingdom policy and the provision of aid. Economic sanctions: oil embargo: a cargo of Rhodesian sugar bound for Antwerp, steps to be taken to ensure it is not landed. Prime Minister's forthcoming statement at the United Nations. Copper supplies. Pensions to be paid to pensioners living in Rhodesia. 71 (3).

Oil embargo: response of the Portuguese Government—possibility of a blockade. The prevention of oil reaching Rhodesia from South Africa via the Bechuanaland railway. Terms under which negotiations might be resumed with Rhodesia. 72 (3).

Rhodesia. C 40.
ROADS
See also—
LONDON TRANSPORT FARES.
PUBLIC EXPENDITURE.
ROAD SAFETY.

Rising costs of road construction, the Minister of Transport to consider the desirability of
promoting an enquiry into. C 101, 38 (3).
(Remit to the Minister of Transport, CC (65) 38, Item 3, discharged: see letter dated 19th July,
1965, on Cabinet Office File 31/2/36.)

ROAD SAFETY

Proposed imposition of certain speed limits on roads. C 156, 63 (4).

Road Safety Bill—
Legislation to make it an offence to drive or be in charge of a motor vehicle with more than a
prescribed concentration of alcohol in the blood; right of trial by jury. Fines related to the
offender’s income. C 136, 52 (2),
Provisions relating to drink and driving. C 177, 70 (4).

ROYAL AIR FORCE MUSEUM
See MUSEUM.

ROYAL COMMISSION
See—
MEDICAL EDUCATION.
TRADE DISPUTES BILL.
TRIBUNALS OF INQUIRY.

SALARIES
See—
JUDICIAL SALARIES.
PRICES AND INCOMES POLICY.
RENUMERATION OF MINISTERS AND MEMBERS OF PARLIAMENT.

SCHOOL BUILDING
See also—
EDUCATION.
HOUSING.
PUBLIC EXPENDITURE.

Explanatory statement which might be published with the results of the School Building Survey.
(64) 5 (4).
Reduction in additional programme expenditure on school building. C 101, 38 (3).
Housing and school building. C 101, 39 (1).

Housing programme, 1965-70: draft White Paper—increase in demand for schools in new housing
areas; no provision for replacement in the next few years due to the limitation on total
expenditure. C 151, C 152, 62 (6).
Educational Building—Minor Works. C 5.

SCOTTISH ECONOMY, 1965-70

SHIPYARDS
See FAIRFIELDS SHIPYARD.

SIMON DE MONTFORT
See PARLIAMENT.

SLUM CLEARANCE

Slum Clearance—Compensation for Owner-Occupiers. C 74.

SMOKING AND HEALTH
See CIGARETTE ADVERTISING.
RHODESIA (continued)

Relations with the Rhodesian Government deteriorating; possibility of a unilateral declaration of independence. Support for Rhodesia unlikely except from the Governments of South Africa and Portugal. The potential threat to Zambian copper exports. 47 (1).

Increasing pressure in Rhodesia for a unilateral declaration of independence. Possibility that the declaration would eventually be made. Discussions to be held with Mr. Smith. 49 (1).

Discussions between the Commonwealth Secretary and the Prime Minister of Southern Rhodesia. Action to be taken by the United Kingdom in the event of a unilateral declaration of independence. 50 (4).

Discussions between Mr. Wilson and Mr. Ian Smith. Consequences of a unilateral declaration. Proposal for a Commonwealth Mission to visit Rhodesia. C 131, 51 (1).

Rhodesian proposal that the United Kingdom Government should concede independence on the basis of the 1961 Constitution. Proposed visit by the Prime Minister to Rhodesia in an attempt to renew negotiations. 52 (1).

Acceptance, by the Government of Rhodesia, of the Prime Minister’s offer to visit Salisbury. 53 (1).

Letter from The Queen to the Prime Minister of Southern Rhodesia. 54 (2).

State of current discussions in Rhodesia. 55 (2).

Texts of: The Prime Minister’s statement to the House of Commons on the outcome of his consultations with the Rhodesian Government; a report by the Commonwealth Secretary and the Attorney-General on the result of further discussions with the Rhodesian Government; a letter from the Prime Minister of Rhodesia; part of the discussions held with Rhodesian Ministers in London in September 1964. Proposal for a Royal Commission on constitutional issues. C 142, 56 (1).

The Prime Minister of Rhodesia apparently committed to the concept of a Royal Commission. The political situation in Rhodesia. 57 (3).

Discussions with the Chief Justice of Rhodesia. Situation in Rhodesia critical; signs that a unilateral declaration of independence is imminent. Possibility of a division within the Rhodesian Cabinet. The conditions under which the Royal Commission report, if unanimous in favour of the 1961 constitution, would be recommended for acceptance by Parliament. 58; 59.

Proposal that a senior Minister should visit Salisbury to sign an agreement setting up the Royal Commission. Mr. Smith’s opinion that the positions of the two Governments were irreconcilable. An imminent declaration of independence now almost certain. General Enabling Bill; Rhodesian sterling balances; action in the United Nations. News received of an announcement by the Rhodesian Government of an illegal declaration of independence. C 149, 60 (1).

Measures devised against Rhodesia put into effect. Situation in the Security Council of the United Nations delicately balanced. General economic sanctions and financial measures—application of increasing pressure. 61 (1).

United Nations: Foreign Secretary’s visit to New York—discussions at the Security Council. 62 (5).

Request by President Kaunda of Zambia for United Kingdom Forces to safeguard the Kariba power station and protect the country against attack. 65; 66 (1); 67 (2).

Help for loyal civil servants in Rhodesia. C 161, 66 (2).

Intensification of economic measures: ban on the import of sugar, tobacco, agricultural products, minerals, metals and oil. Approaches to be made to the United States and other major exporters in an attempt to persuade them to co-operate. Preparations to ensure the economic survival of Zambia. 66 (2).

Intensified financial measures: control to be taken over of the Reserve Bank of Rhodesia. Suspension of the payment of pensions to pensioners in Rhodesia. C 163, 66 (2).

Consideration to be given to arrangements whereby United Kingdom pensions might be paid to pensioners in Rhodesia where desirable on humanitarian grounds. 67 (2).

Refusal, by President Kaunda of Zambia, of offer to station United Kingdom troops in Zambia. Possibility of a Commonwealth force, sponsored by the International Bank for Reconstruction and Development. Oil embargo; a premature attempt to curtail supplies would affect the Zambian economy. 68 (2).

Ultimatum by the Organisation for African Unity for cessation of diplomatic relations with the United Kingdom if the illegal regime in Rhodesia were not ended by 15th December. No concessions in negotiations with the illegal regime in Rhodesia. 69 (3).

Proposal by the Prime Minister of Nigeria for a meeting of Heads of Commonwealth Governments. Oil embargo; discussions with the United States Government. Finance for Zambia contingency planning. 70 (1).

Export of ultimatum by the Organisation for African Unity—severance of diplomatic relations: consequences to United Kingdom policy and the provision of aid. Economic sanctions: oil embargo; a cargo of Rhodesian sugar bound for Antwerp, steps to be taken to ensure it is not landed. Prime Minister’s forthcoming statement at the United Nations. Copper supplies. Pensions to be paid to pensioners living in Rhodesia. 71 (3).

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ROYAL AIR FORCE MUSEUM
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ROYAL COMMISSION
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Slum Clearance—Compensation for Owner-Occupiers. C 74.
SMOKING AND HEALTH
See CIGARETTE ADVERTISING.
SECRET
SOCIAL SECURITY
See also—
NATIONAL INSURANCE.
PUBLIC EXPENDITURE.

Social security benefits and income guarantee: proposed scheme for remodelling National Assistance and setting-up of a Ministry of Social Security to administer it. C 108, 43 (3).
Reshaping National Assistance; proposed changes. C 176, 70 (2).

SOCIAL SERVICES
See also SOCIAL SECURITY.
School meals: no change, at present, in the charge for school meals. C 178, 70 (3).

SOUTH AFRICA
Emphasis on future supplies of arms to South Africa; existing contracts, with two exceptions, to be fulfilled; an announcement to be made in Parliament. (64) 8 (5).
The export of 16 Buccaneer aircraft now being manufactured for the South African Government to be permitted; the possibility of a further order of aircraft considered. (64) 10 (4).
The prevention of oil reaching Rhodesia from South Africa via the Bechuanaland railway. 72 (3).

SOUTH ARABIA
See also—
ADEN.
UNITED ARAB REPUBLIC.

Postponement of the South Arabian Conference due to dissension between the groups and parties concerned and the resignation of the Aden State Government. 12 (2).

SOUTH-EAST ASIA
See also—
CAMBODIA.
CHINA.
VIETNAM.

Soviet proposal that the Soviet and United Kingdom Governments should invite Governments which had participated in the 1954 Geneva Conference to discuss the neutrality and territorial integrity of Cambodia. Proposal endorsed by the United Kingdom. 26 (2).

SOUTHERN RHODESIA
See RHODESIA.

SOUNDPROOFING OF PRIVATE HOUSES NEAR LONDON AIRPORT
Volume of air traffic and the use of jet aircraft at Heathrow increasing; level of noise significantly higher than in 1962—now above toleration level. A 50 per cent grant, up to a maximum of £100, to be offered to owners or occupiers of houses in the area. Individuals who move into the area after 1st January, 1966, will not be eligible for the grant. Consideration to be given to the possibility of the cost being borne by operators of jet aircraft. C 38, 14 (4).

SOVIET UNION
See also—
ATLANTIC NUCLEAR FORCE.
DISARMAMENT.
FOREIGN SECRETARY’S VISIT OVERSEAS.
FOREIGN SECRETARY’S VISIT TO THE SOVIET UNION.
UNITED NATIONS.
VIETNAM.

Removal of Mr. Khrushchev from office; the successor régime; possible changes in Soviet policy; reaction of the East European countries. (64) 2 (1).
Visit of Mr. Kosygin to North Vietnam: possibly a prelude to a new proposal for a negotiated settlement of the dispute between North and South Vietnam. 7 (3).

SPAAK, M.
See—
CONGO.
EUROPE.

SPACE POLICY
See EUROPEAN LAUNCHER DEVELOPMENT.
SPAIN
See also GIBRALTAR.
Combined exercises between the Royal Navy and the Spanish Navy due to take place in November— to be cancelled. (64) 2 (1).

SPEED LIMITS
See ROAD SAFETY.

STEEL
See IRON AND STEEL NATIONALISATION.

STOCKHOLM CONVENTION
See EUROPEAN FREE TRADE ASSOCIATION.

STRIKES
See INDUSTRIAL DISPUTES.

SUDAN
Arab and Negro tension. Communists in the new civilian Government—a possible threat to United Kingdom strategic facilities. (64) 6 (2).
Civilian disturbances in the Sudan; no special facilities to be provided, at this stage, for British nationals to leave the country. (64) 8 (2).
Suspension of United Kingdom overfly rights by the new Government of the Sudan. The means by which the United Kingdom might exert pressure to bring about a reasonable settlement. (64) 13 (2).

SUNDAY OBSERVANCE
Departmental committee's recommendations on Sunday entertainment and sport: a Bill to be introduced in Private Members' time. C 84, 35 (7).

TARIFFS
See—
EUROPEAN FREE TRADE ASSOCIATION.
IMPORT CHARGES.
POSTAL TARIFFS.

TELEGRAPH
See EXCHANGE TELEGRAPH COMPANY.

TELEVISING PARLIAMENTARY PROCEEDINGS
A full Parliamentary service impracticable; possibility of an edited record transmitted at the end of the day on the BBC. The decision as to whether the matter should be pursued to be left to Parliamentary opinion. C 75, 31 (5).

TERRITORIAL ARMY
See HOME DEFENCE AND THE TERRITORIAL ARMY.

TRADE
See—
ECONOMIC SITUATION.
EUROPEAN FREE TRADE ASSOCIATION.
IMPORT CHARGES.

TRADE DISPUTES BILL
Bill to give workers and their representatives protection for freedom of industrial negotiation. Consideration to be given to the degree of retrospection for which provision should be made in the Bill. Proposed inquiry into trade unions and employers' associations. Consideration also to be given to the extent to which Northern Ireland might be associated with the proposed inquiry. C (64) 29, (64) 15 (3).
Revised terms of reference for inquiry into trade unions and employers' associations. Royal Commission to be appointed. Northern Ireland to be included in the inquiry. C 6, 1 (5).
Retrospection: Bill to apply to proceedings started after it becomes law. C 7, 3 (4).
Retrospection limited to proceedings instituted within six months of the Royal Assent in respect of causes of action which had then accrued. The Trades Union Congress to be informed, in confidence, of the Government's intentions as regards the amendment of the Trades Disputes Bill. C 72, 30 (6).
TRADE UNIONS

See—

DEDUCTION OF UNION SUBSCRIPTIONS FROM PAY.

INDUSTRIAL DISPUTES.

PRICES AND INCOMES POLICY.

TRADE DISPUTES BILL.

TRADES UNION CONGRESS.

TRADES UNION CONGRESS

See also—

NATIONAL INSURANCE.

PRICES AND INCOMES POLICY.

TRADE DISPUTES BILL.

Ministers to make arrangements to ensure that the TUC are kept informed of the more important activities of their Departments, when appropriate. 19 (1); 30 (6).

TRAFFIC CONGESTION

See LONDON TRANSPORT FARES.

TRAINING OF JUSTICES OF THE PEACE IN ENGLAND AND WALES AND THE POSITION OF EX-OFFICIO JUSTICES OF THE PEACE


TRANSPORT

See also—

INDUSTRIAL DISPUTES.

LONDON TRANSPORT FARES.

Proposal for the appointment of Dr. Beeching to make a study of transport co-ordination. (64) 15 (4).

Lord Hinton undertaking a study in transport co-ordination. 15 (6).

Lord Hinton's study on co-ordination of road and rail transport no longer appropriate. Lord Hinton to make a detailed study on the movement of parcels and sundries including the General Post Office parcels service. A Committee of Ministers to be appointed to consider transport policy. 33 (6).

Carriers licensing—


Railways—

The Government had no statutory power to countermand decisions of the previous Administration in respect of rail closures but would consider new applications, by the Board of British Railways, on their merits. (64) 2 (7).

No major departure from present policy regarding the closure of freight and passenger services. Possible refusal of consent to proposals which may affect the studies on transport co-ordination being made by Lord Hinton. Consideration to be given to: the future of railway workshops; the principles governing the disposal of surplus land owned by the Railway Board, other nationalised industries and Government Departments. C 41, 15 (6).

TREASURY

Co-operation between the Department of Economic Affairs and the Treasury. C (64) 28.

TRIBUNALS OF INQUIRY

Tribunals procedure: possible need for an independent and authoritative inquiry—a Select Committee or a Royal Commission. Further consideration to be given to the means by which the operation of the Tribunals of Inquiry (Evidence) Act, 1921, might be improved and the extent to which an independent inquiry might be of value. C 31, 15 (7).

Royal Commission on the Tribunals of Inquiry (Evidence) Act to be appointed; the selection of Chairman and members to be considered. C 62, 26 (5).

TSHOMBE, M.

See CONGO.

TURKEY

See also CYPRUS.

Recent change of Government unlikely to significantly alter Turkish Foreign Policy—possibly a greater risk of armed intervention in Cyprus. 10 (2).
UNION SUBSCRIPTIONS
See Deduction of Union Subscriptions from Pay.

UNITED ARAB REPUBLIC (UAR)
See also Aden.
Possibility of a rapprochement between the United Kingdom Government and the United Arab Republic on the understanding that relations with the Government of Israel would not be impaired. Attempts by the UAR to undermine the United Kingdom's position in Aden showed little sign of abatement. President Nasser's regime apparently becoming increasingly precarious. 1 (1).
The Foreign Secretary's discussions with the Ambassador of the UAR. Possible visit by a Foreign Office Minister to Cairo. Delicate negotiation necessary to achieve any improvement in relations with the United Arab Republic without alienating Israel and certain other Arab States. 10 (2).
Dispute between the UAR and the Federal German Republic on the establishment of diplomatic relations with Israel by the Federal Republic. The United Kingdom attempt to promote more cordial relations with the UAR to be moderated; the suggested visit of a United Kingdom Minister to Cairo to be deferred. 17 (2).

UNITED NATIONS
See also—
CAMBODIA.
CONGO.
CYPRUS.
DOMINICAN REPUBLIC.
FOREIGN SECRETARY'S VISIT OVERSEAS.
GIBRALTAR.
KASHMIR.
PRIME MINISTER'S VISIT TO NEW YORK, WASHINGTON AND OTTAWA, DECEMBER 1965.
RHODESIA.
United States Government refusing to commit themselves to a contribution to the United Nations Special Fund unless the Soviet Government make good arrears of their contribution in conformity with Article 19; the United Kingdom to support the Special Fund while avoiding precise commitment in this connection. (64) 8 (2).
Soviet Government unlikely to modify their refusal to make good arrears of contributions to the United Nations. The United Kingdom to continue support of the United States Government on issue of principle, but ready to consider compromise settlement. (64) 9 (3).
Arrears of contributions by certain member countries, particularly the Soviet Union and France—a decision soon. Efforts to be made to persuade recalcitrant member countries to make a voluntary contribution. The issue could be harmful to the Organisation. In this event no blame must be attached to the United Kingdom. 3 (2).
The dispute about the application of Article 19 of the Charter of the United Nations unresolved—a possibility that the United Kingdom might need to take the initiative to try to save the General Assembly from deadlock and, perhaps, dissolution. 7 (3).
Adjournment of the General Assembly probable—some risk of gradual disintegration if prolonged. Special Committee to consider issues. The United Kingdom to seek to take some public initiative in suggesting a more satisfactory basis for peace-keeping operations. 10 (2).
Peace-keeping: the United Kingdom to pledge, unconditionally, a voluntary contribution of $10 million. 33 (2).
Power of the United States to intervene decisively to maintain law and order and British influence on United States policy. 49 (3).
Financial difficulties of the United Nations overcome. 54 (1).

UNITED STATES OF AMERICA
See also—
DISARMAMENT.
DOMINICAN REPUBLIC.
EUROPE.
FOREIGN SECRETARY'S VISIT OVERSEAS.
FOREIGN SECRETARY'S VISIT TO THE SOVIET UNION.
NORTH ATLANTIC TREATY ORGANISATION.
PRIME MINISTER'S VISIT TO WASHINGTON AND OTTAWA, DECEMBER 1964.
PRIME MINISTER'S VISIT TO NEW YORK, WASHINGTON AND OTTAWA, DECEMBER 1965.
UNITED NATIONS.
VIETNAM.
United States Presidential Election: possible adoption, by President Johnson, of a firmer and more robust policy towards the Governments of countries such as France, Indonesia and the United Arab Republic following his decisive victory. (64) 6 (2).
Operations to rescue hostages in the Congo. (64) 8 (2); (64) 9 (3); (64) 11 (4).
Participation of the United States necessary to the defence of Europe. 10 (2).
VATICAN, DIPLOMATIC RELATIONS WITH THE

Status of the United Kingdom diplomatic representative at the Vatican. It was not appropriate, at the present time, to raise the status of Her Majesty's Representative at the Holy See to the rank of Ambassador. C 173, 69(6).

VIETNAM

See also—
FOREIGN SECRETARY'S VISIT OVERSEAS.
FOREIGN SECRETARY'S VISIT TO THE SOVIET UNION.
NORTH ATLANTIC TREATY ORGANISATION.
PRIME MINISTER'S VISIT TO WASHINGTON AND OTTAWA, DECEMBER 1964.
PRIME MINISTER'S VISIT TO NEW YORK, WASHINGTON AND OTTAWA, DECEMBER 1965.

Military coup d'etat: reason to suppose that the new regime might be less disposed to co-operate with the United States Government. 5 (2).
Visit of Mr. Kosygin to North Vietnam: possibility that it could be a prelude to some new proposal for a negotiated settlement of the dispute between North and South Vietnam. South Vietnam: M. Huong, head of the Government recently overthrown, sought refuge in the house of Her Majesty's Representative: the military faction in power apparently acquiesced to the potentially embarrassing situation. 7 (3).
Increasing tension: United Kingdom citizens privately advised to move to Saigon or to leave the country. 10 (2).
The Government of Dr. Quat precarious. The previous Prime Minister, General Kanh, appointed Ambassador at large to present the case for South Vietnam to world opinion. 12 (2).
Bomb outrage in Saigon: the sympathy of Her Majesty's Government conveyed to the Ambassadors of the United States and South Vietnam for the injuries suffered by their nationals. 20 (2).
Military balance being redressed with United States assistance. 49 (3).

Air attacks—
Discussions between the Foreign Secretary, President Johnson and other members of the United States Administration: recent United States air attacks on North Vietnam necessary to check the infiltration of South Vietnam by Viet Cong forces. 18 (2).
Assurance, by the United States, that the United Kingdom would be informed in advance of any intensification of military measures. 19 (2); 20 (2).
Suspension of air attacks by the United States Government in attempt to induce negotiations for a settlement: no disposition on the part of the Communist Powers to open such negotiations. 21 (2).

Cambodia Conference—
Soviet proposal that participants in the 1954 Geneva Conference be invited to discuss the neutrality and territorial integrity of Cambodia; such a conference might be an opportunity to discuss the conflict in Vietnam. 26 (2); 31 (2).

Gas—
Use of gas damaging to the international reputation of the United States. 18 (2).
Attempts to negotiate a peaceful settlement—
Neither side ready to negotiate at present. 18 (2); 19 (2).
Indications that North Vietnam might be more willing to negotiate. 20 (2).
Mission of Mr. Patrick Gordon-Walker to South-East Asia to attempt to find a means of settlement. 19 (2); 20 (2).
United States Government prepared to undertake unconditional discussions directed to a peaceful settlement. 24 (2).
The suggestion of a visit, by Mr. Patrick Gordon-Walker, to Peking rejected by the Chinese People's Republic. 25 (2).
Suspension, by the United States, of air attacks on North Vietnam to try to induce negotiations for a settlement: no disposition on the part of the Communist Powers to open such negotiations. 31 (2).
Proposal for a Commonwealth Mission on Vietnam not supported by Tanzania and Kenya, possibly because of Chinese influence. 34 (2).
An attempt to establish informal contact with North Vietnam on the Commonwealth Mission—Mr. Harold Davies, M.P., to report from Hanoi. 36 (2).
The return of Mr. Harold Davies from Hanoi—no indication that the Government of North Vietnam would be more willing to receive the Commonwealth Mission. 38 (2).
Press statement on the rejection by the United States of a proposal for negotiations by North Vietnam at an earlier stage of the conflict. 62 (2).
The United States desire for a peaceful settlement: would welcome an initiative by the United Kingdom to promote negotiations. Claim that an Italian had received a peace overture in Hanoi—repudiated by the North Vietnamese Authorities. 72 (2).

The 1954 Geneva Conference—
The United Kingdom, as co-Chairman, willing to re-convene the Conference, if such action offered any prospect of resolving the dispute between North and South Vietnam. 8 (2).
VIETNAM (continued)

The United States informed of the United Kingdom's proposal. 9 (2).
Indications that the Soviet Government might be more willing to reactivate the
co-Chairmanship. 10 (2).

Soviet Government unresponsive to the proposal. Diplomatic pressure on the United States
Government to agree to a conference of the Powers concerned. 12 (2); 14 (1).
No Soviet response to the proposal—visit of the Soviet Foreign Minister a possible
opportunity to explore issues. 15 (2).
Reply by the Soviet Government unacceptable—mainly a denunciation of the United
States—a possible indication of pressure on the Soviet Government from Communist
China. 17 (2).

Discussions with the United States Government: an endeavour to seek a formula by which
a peaceful settlement might be sought. 18 (2); 19 (2).

United States Government prepared to undertake unconditional discussions on a peaceful
settlement. Efforts to be made to obtain a favourable response from the Governments of
Communist China and North Vietnam. 24 (2).

Soviet proposal that the Governments who had participated in the 1954 Geneva Conference
should be invited to discuss the neutrality of Cambodia; such a conference would provide a
possible opportunity to discuss the Vietnam conflict. 25 (2); 26 (2); 31 (2).
Refusal by the Soviet Government to take joint action to reconvene the Geneva Conference.
32 (3).

Soviet proposal unacceptable—mainly a denunciation of the United
States—a possible indication of pressure on the Soviet Government from Communist
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possible opportunity to discuss the Vietnam conflict. 25 (2); 26 (2); 31 (2).
Refusal by the Soviet Government to take joint action to reconvene the Geneva Conference.
32 (3).

Situation grave; hope of another initiative soon. 33 (2).
Publication, by the Soviet Government, of a draft joint message which they proposed should
be issued in conjunction with the United Kingdom on hostilities in Vietnam; the message
seemed to indicate pressure from the Chinese People's Republic. The United Kingdom
Government to publish an alternative draft. 69 (2).

United States desire for a peaceful settlement—an initiative by the United Kingdom would
be welcomed. 72 (2).

WAGES
See—

INDUSTRIAL DISPUTES.

PRICES AND INCOMES POLICY.

WALKER, MR. PATRICK GORDON
See VIETNAM.

WAR DAMAGE CLAIMS
See BURMAH OIL COMPANY.

WASHINGTON
See—

DEFENCE AND OVERSEAS POLICY.
FOREIGN SECRETARY'S VISIT OVERSEAS.
PRIME MINISTER'S VISIT TO WASHINGTON AND OTTAWA, DECEMBER 1964.
PRIME MINISTER'S VISIT TO NEW YORK, WASHINGTON AND OTTAWA, DECEMBER 1965.
UNIFIED STATES OF AMERICA.

WESTERN EUROPEAN UNION
See also—

EUROPEAN ECONOMIC COMMUNITY.
EUROPEAN FREE TRADE ASSOCIATION.

Meeting of the Western European Union in Rome: French representative unco-operative; favourable
response by other Governments to the suggestion that closer functional links between EEC
and EFTA should be sought. 15 (2).

Favourable response to the United Kingdom initiative at the recent EFTA Ministerial Council
to establish closer functional links between EFTA and EEC. 35 (2).

WHITEHALL
See DEVELOPMENT OF THE WHITEHALL AREA.

WHITE PAPERS
See PUBLICATION OF WHITE PAPERS.

WITTLERY COUNCIL
See PUBLIC SERVICE PENSIONS.

WIDOWS
See NATIONAL INSURANCE.
WORKMEN'S COMPENSATION

"Old cases": men injured at work before 1948; no legislation possible in current session. Proposals for improvement to be considered in the course of the review of public expenditure. 33 (5).

Y

YEMEN

Possibility that the Governments of the United Arab Republic and Saudi Arabia would reach a settlement which would ensure the cessation of hostilities in the Yemen—in this event the United Kingdom would have to face the question of recognition of the regime in the Yemen and decide the conditions under which to do so. (64) 8 (2).

YUGOSLAVIA

Visit of the Foreign Secretary to Yugoslavia and Czechoslovakia during the Easter Recess: misunderstandings clarified. Possible future United Kingdom initiative on a conference on European security. 26 (2).

Z

ZAMBIA

See also Rhodesia.

Threat by the Northern Rhodesian Government to expropriate, without compensation, the mineral rights of the British South Africa Company (Chartered). Company claim for compensation of £8 million of which the Government of Northern Rhodesia would make a "good will contribution" of £2 million. Expropriation would damage the Territory's international credit and could, eventually, endanger United Kingdom supplies of copper. Legal aspects; consideration of proposals for a settlement. C (64) 2, (64) 1 (4).

Commonwealth Secretary to attend independence celebrations and to discuss the Chartered Company with the local Government with a view to a possible compromise settlement. (64) 2 (1).

Settlement of the claim for compensation: the United Kingdom and Zambian Governments make equal contributions. (64) 3 (1).

Aid to Zambia—no case on economic grounds, but strong political arguments in favour. President Kaunda well disposed towards the West, but some elements in the Zambian Government biased towards the Soviet Union and Communist China. £10 million in defence and economic aid to be offered over the next five years. C 20, 9 (4).
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CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Monday, 19th October, 1964, at 3 p.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. Patrick Gordon Walker, Secretary of State for Foreign Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Michael Stewart, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

Also present:
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Mr. D. Laskey
Mr. A. A. Jarrett
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Procedure 1. The Prime Minister congratulated his colleagues on their success in the recent General Election and welcomed them as members of his new Administration. He invited their attention to the Note on Questions of Procedure for Ministers (C. (64) 1), which he had circulated that day, and asked them to be guided by it. In the conduct of public business it was particularly important that as many issues as possible should be settled by direct dealing between the Ministers concerned; that questions requiring collective consideration should initially be referred, whenever possible, to the appropriate Committee; and that only the most important or urgent matters should be submitted to Cabinet, and then only with adequate notice, save in an emergency. These principles, however, should be balanced against the need to ensure full collective endorsement of any major decision of policy; and it would be incumbent upon Ministers, both individually and collectively, to satisfy themselves that any major decision which they proposed to take would command the support of the Government as a whole.

In addition, the mutual trust which was the foundation of collective responsibility depended largely on the ability of a Government to safeguard the private nature of their deliberations; and it was important that all Ministers should bear this fact constantly in mind. Until the new Government had taken stock of their position and of the problems which confronted them it would be desirable that Ministers should refrain, so far as possible, from public statements, interviews with the Press, appearances on television and so forth.

In accordance with the accepted convention the papers of Conservative Cabinets and Cabinet Committees had been withdrawn to the Cabinet Office; and Ministers would understand that, except where commitments to third parties required some degree of continuity of policy, these papers, together with the corresponding departmental records, would not be available to them. In all other respects, however, the services of the Cabinet Office would be wholly at their disposal.

Ministers in charge of Departments should give particular thought to the functions which might most suitably be discharged by their junior Ministers. Practice would necessarily vary from one Department to another, in the light of circumstances; but it was desirable in principle that the fullest use should be made of the services of junior Ministers and that they should be kept as continuously as possible in touch with issues submitted for decision to the Heads of their Departments.

Economic 2. The First Secretary of State said that the economic situation was serious. It appeared to have been deteriorating for some time; and there was a prospect of a large and continuing deficit on the balance of payments. There was no question of a financial crisis in view of the reserves and borrowing rights at our disposal. Nevertheless, immediate remedies were required. First, it was necessary to deal with a situation in which imports were too high and exports were not rising sufficiently fast. It was easier to restrict imports than stimulate exports; but action for both purposes should be planned simultaneously in order that the Government might be seen to be not merely relying on measures of restraint but also taking positive steps to maintain and increase economic growth. Balanced proposals were therefore being worked out and would be circulated for Ministerial consideration in the near future. In the longer term additional measures would be required in order to make fundamental changes in the direction of the economy and to rectify a position in which an excessive proportion of our resources was being used
on non-remunerative projects for purposes of defence or national prestige. This would require the co-operation of the large spending Departments; and the industrial dislocation which would inevitably result would need to be mitigated by appropriate measures, including the early implementation of the Government's proposals in relation to severance pay.

The Chancellor of the Exchequer said that the short-term problem of financing the current deficit on the balance of payments should be capable of being resolved by recourse to the facilities which other Central Banks would place at our disposal. In the longer term we might need to invoke our right to draw on the International Monetary Fund. But the willingness of other countries and international institutions to lend us money would necessarily depend on the energy and resolution with which we were seen to be tackling the problem of redressing the balance of the economy. In this connection it was very relevant that, even on the assumption of an annual increase of 4 per cent in the Gross National Product, it was doubtful whether the public spending programmes which the Government had inherited from their Conservative predecessors could be financed on the existing basis of taxation. If the Government's own proposals were now to be superimposed, it would be essential that other items of expenditure should be reduced or eliminated. Departments would shortly be asked to submit their 1965-66 Estimates to the Treasury; and, in so far as they included provision for new policy proposals, these should be indicated separately from the commitments incurred by the Conservative Administration. It would then be possible for the Government to establish rational priorities and to begin to reduce the pressure imposed on our resources by projects of little economic value.

In discussion the following main points were made:

(a) It would be important to give as high a priority as possible to proposals for expenditure on social services, which constituted transfer payments rather than fresh claims on national resources.

(b) It would be difficult to submit proposals for expenditure by the new Ministry of Technology until the area of its activities had been defined; but its claims should not be prejudiced on that account.

(c) All Departments concerned would be consulted on the measures affecting them in relation both to public expenditure and to the redistribution of resources in the longer term.

(d) A revision of the arbitration machinery might prove to be a desirable element in measures designed to reduce temporary industrial dislocation.

The Prime Minister, summing up the discussion, said that it would be necessary to inform the country of the economic position at an early date but that a statement for this purpose must be accompanied by proposals for adequate counter measures. These proposals should not be deflationary in emphasis but should be directed to restoring the country's competitive strength and promoting expansion on a selective and orderly basis. When they were ready they would be submitted to the Cabinet for approval; and they would then be embodied in a public statement by the Government, which could be followed by, or perhaps coincide with, discussions with the Trades Union Congress, the Federation of British Industries and related organisations. Meanwhile, it was desirable that Ministers should not make individual statements about the current situation or the measures which the Government had in mind for dealing with it.

The Cabinet—

Took note of the statement by the Prime Minister and of the points made in this discussion.
The Prime Minister informed the Cabinet that they might soon be required to confront major decisions of policy in relation to Southern Rhodesia. He had himself discussed the issues involved with the Prime Minister of Southern Rhodesia, Mr. Ian Smith, during the latter's recent visit to London for negotiations with the Conservative Government; but he had refrained from giving any commitment about the attitude of the Labour Party, if they came into power.

The Commonwealth Secretary said that, on the conclusion of the discussions with the United Kingdom Government to which the Prime Minister had referred, an agreed communique had been issued stating, among other things, that independence for Southern Rhodesia must be based on the general consent of the population of the Territory and that the United Kingdom Government were entitled to be consulted about the means by which this consent was to be obtained. On the day of the General Election Mr. Smith had informed the Conservative Government that he had arranged to convene a meeting with the African Chiefs in the very near future in order to ascertain whether independence on the basis of the present Constitution would be acceptable to African opinion. He had invited the United Kingdom Government to send observers to that meeting. The Conservative Government had replied that this procedure was not in accordance with the understanding which they had reached with Mr. Smith and was not acceptable to them. He had now informed Mr. Smith that the new Government took the same view as their predecessors on this issue. Since he proposed to visit Northern Rhodesia in the following week in order to represent the United Kingdom Government at the independence celebrations, it might be appropriate that he should thereafter proceed to Southern Rhodesia in order to make wholly clear to the local Government not only the conditions on which Her Majesty's new Ministers considered that Southern Rhodesia might obtain her independence but also the probable reactions of the United Kingdom Government to a unilateral declaration of independence. But he could only express a willingness to meet Mr. Smith for this purpose provided that it was agreed that he should also discuss the situation with the leaders of the main political Parties, Mr. Nkomo and the Reverend Sithole, who were at present in political detention.

The Prime Minister suggested that the Defence and Oversea Policy Committee might give further consideration to the issues involved before the Commonwealth Secretary's departure for Zambia.

The Cabinet—

(1) Took note of the statement by the Commonwealth Secretary about Southern Rhodesia.

(2) Took note that the Prime Minister would arrange for the issues involved to be further considered by the Ministers concerned.

The Cabinet considered a memorandum by the Commonwealth Secretary (C. (64) 2) about the mineral rights owned by the British South Africa Company (Chartered) in Northern Rhodesia, to which was annexed a historical summary of the problem.

The Commonwealth Secretary said that the Northern Rhodesia Government claimed that the Chartered Company's title to the rights in question was invalid and that the United Kingdom Government claimed that the Northern Rhodesia Government was a territorial authority established by the Chartered Company and therefore entitled to the rights in question.

The Cabinet—

(1) Took note of the memorandum by the Commonwealth Secretary.

(2) Took note that the Cabinet would consider the issues involved.

The Cabinet considered a memorandum by the Commonwealth Secretary (C. (64) 2) about the mineral rights owned by the British South Africa Company (Chartered) in Northern Rhodesia, to which was annexed a historical summary of the problem.

The Commonwealth Secretary said that the Northern Rhodesia Government claimed that the Chartered Company's title to the rights in question was invalid and that the United Kingdom Government claimed that the Northern Rhodesia Government was a territorial authority established by the Chartered Company and therefore entitled to the rights in question.
Government had acted wrongly in the past by recognising it. They therefore argued that the United Kingdom Government were solely responsible for compensating the Company when the rights were extinguished; and, if no settlement were reached before the Territory became independent at the end of the week, they intended subsequently to expropriate the Company without compensation.

If agreement were not reached and the Northern Rhodesia Government expropriated the Company, this would have serious consequences for relations between the two countries. It would also be liable to damage the Territory's international credit, particularly with the International Bank for Reconstruction and Development. Finally, it might lead to further measures of expropriation by the Government of Northern Rhodesia, which could endanger United Kingdom supplies of copper. It was therefore highly desirable that a settlement should be reached.

There were objections in principle to any payment by the United Kingdom Treasury of compensation to a United Kingdom company expropriated by another Government. On the other hand it could be argued that the case of the Chartered Company was unique and would not constitute a precedent. Moreover, any United Kingdom contribution to a settlement could be arranged in such a way that there would be no direct payment by the United Kingdom to the Company. Although the Government of Northern Rhodesia denied any responsibility, they were prepared to make a "good will contribution" of £2 million towards a settlement, provided that we made at least an equal contribution. The Company's claim had been successively reduced; and the Company were now prepared to agree a settlement at £8 million. If they could be induced to accept a further reduction to £4 million, it might well be right that we should match the contribution of £2 million which the Government of Northern Rhodesia were prepared to offer.

The Chancellor of the Exchequer said that the matter was one which the Northern Rhodesia Government should decide for themselves. Once they had taken over the Chartered Company's rights they would be gaining some £7 million a year from the royalties; and they might be expected to appreciate that it would be in their interest to forgo an initial instalment of these revenues in order to secure a clear title and to ensure that they would receive the full royalties without question in the future. There was therefore no case for the United Kingdom Government to contribute to the compensation of the Company; and the risk of damage to the international credit of the Territory if the local Government expropriated the rights should not be exaggerated, particularly since Northern Rhodesia would have less need to invoke that credit once she had taken over the royalties.

In discussion the Cabinet were reminded that the 1950 Agreement with the Chartered Company, which had been made by the previous Labour Government, had provided that the United Kingdom Government would ensure, "so far as it is possible to do so", that, when they ceased to be responsible for Northern Rhodesia, a successor Government would abide by the Agreement. This factor might be relevant to the current decision.

The Prime Minister, summing up the discussion, said that it would not be unreasonable that the Government, having only just taken office, should ask the Government of Northern Rhodesia for a little more time to enable them to reach a decision, particularly since the Commonwealth Secretary would be visiting Northern Rhodesia at the end of the week and would be able to discuss the matter with the local Government. Meanwhile, the issues involved should be further examined by the Ministers immediately concerned in the light of the Cabinet's discussion.
The Cabinet—

(1) Invited the Lord Chancellor to consider, as a matter of urgency, the legal aspects of the problem of the mineral rights owned by the British South Africa Company (Chartered) in Northern Rhodesia, with particular reference to the 1950 Agreement.

(2) Invited the Chancellor of the Exchequer and the Commonwealth Secretary, in the light of the Lord Chancellor's opinion, to seek to submit proposals for a settlement to the Defence and Oversea Policy Committee on Wednesday, 21st October.

(3) Invited the Commonwealth Secretary to urge upon the Government of Northern Rhodesia the need to allow the United Kingdom Government more time in which to consider a settlement.

Cabinet Office, S.W.1,
20th October, 1964.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 22nd October, 1964, at 10.30 a.m.

Present:

The Right Hon. HAROLD WILSON M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. Sir FRANK SOSKICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The following were also present:

The Right Hon. ROY JENKINS, M.P., Minister of Aviation (item 5)
The Right Hon. ELWYN JONES, Q.C., M.P., Attorney-General (item 1)

Mr. CLEWDYN HUGHES, M.P., Minister of State, Commonwealth Relations Office (item 1)

Secretariat:

SIR BURKE TREND
Mr. P. ROGERS
Miss J. J. NUNN
Mr. D. LASKEY
Mr. A. A. JARRATT
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1. The Foreign Secretary said that little was known with certainty about Mr. Khrushchev's removal from office; but it appeared that he had been deposed rather than resigned and that the most probable reason was his increasingly erratic conduct of public affairs, coupled with his growing differences with the military authorities. The most surprising aspect of the incident had been the apparently spontaneous reaction of surprise and hostility to the change shown by the East European countries, particularly Czechoslovakia and East Germany. It was the first time that such marked independence of the Soviet Union had been shown on so wide a scale.

It seemed unlikely that the successor régime, in which supreme authority was divided between two men, would last for long; but it was impossible to say whether one of the two leaders or some third personality would ultimately prevail. It was improbable that Mr. Khrushchev's deposition would result in major changes in Soviet policy, although there might be some modification in its methods. This was likely to be true also of Sino-Soviet relations, where the future direction of Soviet policy on the supply of arms to India would provide the most reliable indicator.

The Foreign Secretary said that the nuclear test recently conducted by the Communist Government of China, although disturbing, did not imply that the Chinese authorities would be able to manufacture nuclear weapons forthwith. They had only a limited number of bombers, mostly obsolescent; and, although they were known to be developing a missile delivery system, a short-range system was unlikely to be developed before 1968 or a long-range system before 1975. There had been very critical comment on the test from Yugoslavia and East Germany; one of the few favourable reactions had come from Ghana.

The Foreign Secretary said that the Indonesian Government had privately renewed their overtures for a peaceful settlement of their differences with Malaysia and had suggested confidential discussions with ourselves for this purpose. This approach seemed sufficiently serious in intention to justify a very tentative response. But there could be no question of our entertaining any commitment unless there were adequate indications that the Indonesian Government were acting in good faith.

The Foreign Secretary said that the Royal Navy had carried out combined exercises with the Spanish Navy in each of the last six years. This year the exercises were due to be held in the period 3rd-12th November. Action to cancel them would be resented by public opinion in Spain and would be liable to have an unfortunate effect on Anglo-Spanish trade. Nevertheless, he had agreed with the Prime Minister and the Secretary of State for Defence that the exercises should be cancelled.

The Cabinet—

Took note of the Foreign Secretary's statements.

The Prime Minister said that the Defence and Oversea Policy Committee had given further consideration to the Government's position if the Government of Northern Rhodesia, on achieving independence, implemented their threat to expropriate, without compensation, the mineral rights of the British South Africa Company. The Lord Chancellor and the Attorney-General had advised that in that event the company might bring a successful law suit against the Government. Partly for this reason but mainly in order to preserve friendly relations with Northern Rhodesia the Commonwealth Secretary, who would attend the independence
celebrations in the territory, would discuss with the local Government the possibility of a compromise solution by seeking initially to persuade them to settle direct with the company but being ready, in the last resort, to offer some contribution from the United Kingdom.

The Cabinet—

Took note of the Prime Minister's statement.

2. The Prime Minister said that the situation in Southern Rhodesia had been further considered by the Defence and Oversea Policy Committee. The Commonwealth Secretary had authorised a statement, which had been issued by the British High Commissioner in Salisbury, that neither the Conservative Government nor Her Majesty's present Ministers could accept the method by which the Government of Southern Rhodesia proposed to ascertain African opinion on the issue of independence. The Commonwealth Secretary had offered to visit Salisbury for discussions with the Prime Minister of Southern Rhodesia, Mr. Ian Smith, provided that he could also consult the African nationalist leaders who were in detention. Mr. Smith's reaction to this stipulation had been unfavourable; but he had not yet finally rejected it. If the Commonwealth Secretary met Mr. Smith, he would warn him privately about the very serious consequences of a unilateral declaration of independence by the Government of Southern Rhodesia. If, however, he did not succeed in visiting Salisbury, it might become necessary for this warning to be issued by the United Kingdom Government in a public statement on the lines of the draft appended, as Annex C, to O.P.D. (64) 2.

In discussion the following points were made:

(a) It was important that we should be seen to have taken all possible steps to avoid unilateral action by the Government of Southern Rhodesia. It was therefore for consideration whether, before the referendum to be held in Southern Rhodesia on 5th November, Mr. Smith should be invited to come to London for discussions.

(b) Any public statement should be in strong terms in order to bring home to the people of Southern Rhodesia the serious consequences of a unilateral declaration of independence. Such a warning would be welcomed by moderate opinion in Southern Rhodesia. On the other hand the statement should not threaten measures which we would not in fact put into effect.

(c) The concept of "rebellion", as a description of a unilateral declaration of independence, was of doubtfully precise legal meaning. But the action which would have to be taken in order to give effect to such a declaration would almost certainly be treasonable.

The Cabinet—

(1) Took note that the Prime Minister would consider, if necessary, whether to invite the Prime Minister of Southern Rhodesia, Mr. Ian Smith, to visit London for discussions.

(2) Took note that the Prime Minister would arrange, if necessary, for a public statement to be issued on the lines of the draft appended, as Annex C, to O.P.D. (64) 2.

(3) Invited the Lord Chancellor, in consultation with the other Ministers concerned, to examine, as a matter of urgency, the wording of that statement.
3. The Cabinet considered a memorandum by the Minister of Power (C. (64) 5) about the nationalisation of the iron and steel industry.

**The Minister of Power** proposed that the Government should concentrate on nationalising 13 large undertakings, which comprised over 90 per cent of the United Kingdom pig iron and crude steel capacity. Since these included three concerns which were subsidiaries of major engineering groups, it would not be easy to avoid a hybrid Bill.

Nationalisation might best be effected by the transfer of the shares of the companies concerned to a new Central Authority, which should be empowered to draw up schemes of reorganisation to be put into effect by Statutory Instrument. Previous precedents suggested that compensation should be based on the Stock Exchange value of the shares at some specified date; but this proposal might be open to criticism as underrating the true values of the companies involved and would require further examination.

It would be essential to secure control of the trading subsidiaries of the British Iron and Steel Federation, which handled the imports and shipping of iron ore, and also to safeguard the position of the Central Authority in relation to the Federation. Since the companies to be nationalised accounted for about 95 per cent of the current United Kingdom production of iron ore and controlled about 60 per cent of workable reserves, there would be no need to provide for the nationalisation of ore in the ground; and this question could be left for later consideration as part of the question of the nationalisation of mineral rights generally.

Even a simplified measure such as was implied by these proposals would involve highly complex problems of drafting, some of which would require factual investigation and consultation with organisations in the industry. It was doubtful, therefore, whether a properly prepared Bill could be ready for introduction before at least half way through the Session, which would be late for a Bill of this magnitude. It would therefore be preferable that a firm statement of the Government's intentions should be made as soon as possible, possibly in the form of a White Paper, but that the Bill itself should be introduced at the beginning of the second Session. An appropriate reference should be included in The Queen's Speech; and the Government's policy could be elaborated during the Debate on the Address, in the course of which it could also be made clear that investment which was made by the industry in good faith up to Vesting Day would be taken into account in the assessment of compensation.

In discussion there was considerable support for the view that the balance of advantage, both political and economic, lay in introducing the nationalisation Bill in the first Session of Parliament. In that event, however, other legislation might have to be deferred and it would be necessary to consider carefully the timing of the introduction of the nationalisation measure in relation to other Bills which would involve complex issues of drafting, such as rent control and leasehold enfranchisement. Moreover, the nationalisation Bill should not be allowed to jeopardise the introduction of other measures, particularly in the field of social services, to which the Government attached high priority. Indeed, it might be politically advantageous to ensure an early Second Reading for some of these Bills in order that, if the Government subsequently encountered undue opposition on the issue of the nationalisation of iron and steel, public opinion should be able to appreciate the extent to which social policies also might be at risk.
The Queen’s Speech on the Opening of Parliament

The Prime Minister, summing up the discussion, said that there was general agreement that priority should be given to the early introduction of a measure to nationalise the iron and steel industry. The necessary action for this purpose should now be further considered as a matter of urgency.

The Cabinet—

(1) Agreed in principle that a measure to provide for the nationalisation of the iron and steel industry should be introduced during the first Session of the forthcoming Parliament.

(2) Took note that the Prime Minister, in consultation with the other Ministers concerned, would arrange for the necessary work to give effect to Conclusion (1) above to be put in hand forthwith.

4. The Cabinet had before them a note by the Lord President of the Council (C. (64) 3), to which was appended a draft of The Queen’s Speech on the Opening of Parliament.

The Lord President said that the Cabinet would have a further opportunity to consider the draft before it was submitted to The Queen on 29th October; but it was necessary to consider at once what commitments should be undertaken in the Speech as regards the legislation to be introduced in the first Session of Parliament. It would not be possible to introduce in one Session all the Bills required to implement the policies outlined in the Labour Party’s Election Manifesto. Equally, the absence of specific references to a particular topic in the Speech would not necessarily mean that the relevant legislation could not be introduced if time should be available. On this basis the draft appended to C. (64) 3 included references to Bills dealing with the nationalisation of iron and steel (though not in terms firmly committing the Government to introduce a measure in the first Session), rent control, the Land Commission, leasehold enfranchisement, the reversal of the decision of the House of Lords in the case of Rookes v. Barnard, teachers’ pay, capital punishment, law reform, the Parliamentary Commissioner and racial discrimination. The Chancellor of the Exchequer was considering with the Ministers concerned the order of priority among Bills which would entail significant expenditure.

In discussion the following main points were made:

(a) The limitations imposed by pressure on Parliamentary time, which would be aggravated by the necessity to take the more controversial Bills in Committee of the Whole House, would imply that some major measures to which the Government were committed could not be introduced in the first Session. Others of less importance, which might be included in the programme if they were available for early introduction, need not be mentioned in the Speech; but Ministers would have an opportunity in the Debate on the Address to explain the Government’s intentions more fully and, in particular, to refer to policies on which work would be put in hand at once, even though legislation might not be practicable until the second Session of Parliament. Among the subjects which might be dealt with in this way were concessionary fares on buses, on which a short Bill might be introduced early in the Session, and responsibility for the child care service in London, on which undertakings had been given by the Labour Party while in Opposition.

(b) It would be very desirable to introduce in the first Session Bills on rent control and the Land Commission. But they might well
occupy considerable time both in preparation and in debate; and it was important that, while the Government should be seen to be proceeding as rapidly as possible with these measures, other reforms on which early action would be expected should not be delayed. It might be possible, for example, to introduce an early Bill on leasehold reform; and, while the resources of the Ministry of Housing should not be diverted for this purpose from the major measures, consideration should be given to the possibility of making use of a Private Member's Bill, which had been introduced during the previous Session but had failed to reach the Statute Book.

(c) A measure on pensions, if only of an interim character, should be introduced at an early stage in view of the Labour Party's pledges during the Election to accord priority to this problem; and an undertaking should be given to initiate a review of the problem of compensation for older occupiers of house property who were displaced by development schemes. In general, the measures on pensions and national insurance mentioned in paragraph 13 of the draft should have priority over the abolition of National Health Service charges. A measure on pensions should precede any measure to implement the report of the committee under the chairmanship of Sir Geoffrey Lawrence on the remuneration of Ministers and Members of Parliament.

(d) It would be desirable to refer to a measure on monopolies and restrictive practices, which members of the Government had criticised the Conservative Administration for failing to introduce during the previous Session. A Bill for this purpose was nearly ready; but, before undertaking a firm commitment to introduce it during the present Session, the Cabinet would need to consider its claims in relation to those of other measures which it would be essential to introduce in the first Session.

(e) The Government were committed to the establishment of a Highland Development Board; and, since the necessary legislation would occupy little time in the House of Commons, it should be mentioned in the Speech. Further consideration would have to be given, however, to the proposal to introduce legislation on the teaching profession in Scotland, which could produce embarrassing repercussions in England and Wales.

(f) Consideration should be given to the means of ensuring, in relation to the work of the Boundary Commission, equality of electors as between one constituency and another.

In further discussion a number of suggestions were made for the amendment of the text of the draft Speech.

The Prime Minister, summing up the discussion, said that there was general agreement that the Bills mentioned in the draft of The Queen's Speech should, if possible, be introduced in the first Session of Parliament. Further consideration should be given to the order in which they should come forward and, in particular, to the possibility of the early introduction of a short measure on leasehold reform and to the need to introduce interim measures on pensions and rent control. It would be helpful if the Lord President would consider with the Ministers concerned the questions which had been raised on the child care service in London, the proposed legislation on the Scottish teaching profession and the problem of equal votes. Ministers who wished to propose amendments to the draft Queen's Speech should send them immediately to the Lord President for consideration by the Committee on The Queen's Speech. He would himself discuss with the Lord President, the Chancellor of the Duchy of Lancaster and other Ministers the possibility of improving Parliamentary procedure, particularly for the purpose of dealing expeditiously with law reform and other uncontroversial measures.
The Cabinet—

(1) Agreed that the Bills mentioned in the draft Queen’s Speech appended to C. (64) 3, including a Bill for the nationalisation of iron and steel, should, if possible, be introduced in the first Session of Parliament.

(2) Invited the Lord President—

(i) to bring before them in due course a further draft of The Queen’s Speech, revised in the light of their discussion and of amendments proposed by Ministers;

(ii) to consider, in consultation with the Home Secretary and other Ministers concerned, the question of responsibility for the child care service in London;

(iii) to consider, in consultation with the Secretary of State for Scotland and the Secretary of State for Education and Science, the proposed legislation on the teaching profession in Scotland;

(iv) to examine with the Home Secretary and the Minister of Housing and Local Government possible means of ensuring equality of votes as between one constituency and another.

(3) Invited Ministers to send to the Lord President immediately any amendments which they wished to suggest to the draft of The Queen’s Speech on the Opening of Parliament appended to C. (64) 3.

5. The Cabinet had before them a note setting out the headings of a Government statement on the economic situation and the measures proposed for dealing with it.

The First Secretary of State said that the purpose of the statement would be to give a full and frank explanation of the economic situation which had confronted the Government on taking office; to announce the immediate steps which the Government were proposing to take in order to correct the trade imbalance; and to give an indication of the manner in which the Government’s economic policies would be developed in the longer term. It was proposed that the statement should be issued on Monday, 26th October. Together with the Chancellor of the Exchequer he would arrange for suitable publicity to be given to it; and the Prime Minister would probably give a further explanation of the Government’s proposals on television the same evening. The details of these arrangements, however, would depend to some extent on the need to give advance warning of the Government’s intentions to other Governments.

The Chancellor of the Exchequer said that the statement was designed to demonstrate to public opinion both in this country and overseas that we did not intend to rely either on borrowing or on deflationary policies to help us to overcome our current difficulties. Preliminary indications suggested that, on the basis of the programme set out in the statement, we should be able to secure the interim financial support which would be required while the more fundamental remedial action began to take effect.

The Cabinet then considered the individual headings of the statement. In discussion the following main points were made:

(a) Import restrictions. Decisive steps would be taken to reduce inessential imports, not as a protectionist device but as a strictly temporary measure which was forced upon us by the nature of the

* Previously recorded in a Confidential Annex.
immediate situation. There were two methods by which reductions could be secured—first, the imposition of quantitative restrictions; second, a system of temporary import charges. There were arguments for and against each of these courses. Quantitative restrictions would not involve a breach of our international obligations in relation to the General Agreement on Tariffs and Trade (GATT) and the European Free Trade Association (EFTA); they would not necessarily lead to a significant increase in import prices; and public opinion appeared to be prepared for action on these lines. On the other hand it might be thought that they would become a more permanent feature of the Government's economic policy; and this might provoke corresponding retaliation by countries whose exports to us would be affected. A system of import charges could more easily be shown to be non-protectionist and of a temporary character; it would be easier to arrange and could have a wider coverage; and it would have the further advantage of yielding additional revenue. On the other hand the imposition of temporary charges would constitute a breach of our GATT and EFTA obligations; by increasing import prices it would cause the retail price index to rise by about 1 per cent; and it would therefore be liable to make it more difficult to implement an incomes policy.

Neither course would be welcome to our trading partners, although a number of West European countries would not have strong grounds for complaint in view of their own breaches of their GATT obligations. Both courses were likely to have adverse effects upon consumers and the working population in this country. On balance, however, the Government's immediate objective of redressing the deteriorating balance of trade could best be achieved by a system of temporary charges.

Final decisions on the scope and coverage of the charges had still to be taken; and the Ministers concerned would need to give urgent consideration to these questions. It seemed likely, however, that, on the assumption that basic foodstuffs, raw materials and tobacco would be excluded, about a third of the country's imports would be subject to the charges. Exports from other EFTA countries of goods which were included within the final definition would have to be subject to the necessary charges. The proposals could be introduced in a Ways and Means Resolution in the very near future—and in that event they could probably take effect from the middle of November.

(b) **Export stimulation.** The statement should comprise positive as well as negative measures; and it would propose, for this purpose, that exporters should be relieved of some part of their present burden of indirect taxation. The relief would take the form of a percentage repayment of tax to exporters, based on their proportionate expenditure on particular items, including vehicle duty, the excise tax on petrol and oil and purchase tax on stationery. It would be desirable in principle that these benefits should extend to those firms whose production contributed to savings in imports; and a general reference to this point might be included in the statement, although it would take time to prepare specific measures in this context.

The cost of this proposal would be about £70 million. The rebates would be made retrospective until November; and, on the assumption that parliamentary authority was obtained before Christmas, the first repayments to exporters should start in February 1965. There was some risk that they might merely serve to inflate profits instead of being used for reducing export prices; and, if so, they would be liable, in combination with the likely increase in retail prices as a result of the import charges, to increase the difficulties of securing a satisfactory incomes policy. On the other hand it was essential to create confidence in the Government's determination to promote exports; and the modest system of rebates proposed was
directed to encouraging those industries which found the export trade only marginally profitable rather than providing an additional incentive to the relatively small group of very large firms which were already well established in the export trade. Even so, the effect of the new proposals would need to be kept under careful review, and the statement might include a warning that the Government would have to consider taking appropriate action if it appeared that the concessions were being misused.

In addition the statement would propose that a Commonwealth Export Council should be established immediately and that consideration should be given to other promotional measures, such as the creation of co-operative selling arrangements overseas by smaller United Kingdom firms.

(c) Incomes policy. The measures proposed as regards imports and exports would not solve the underlying problems of the economy. These could only be tackled by the evolution of longer-term policies, designed to strengthen the basic competitiveness of industry, including the introduction of a policy for prices and incomes. The statement would indicate that, for this purpose, the Government would undertake immediate discussions with the Trades Union Congress, the Federation of British Industries and other organisations.

(d) Government expenditure. The statement should foreshadow a searching review of Government expenditure in order to relieve the strain on the balance of payments and to release resources for more productive purposes by eliminating items of low economic and social priority. The credibility of the Government's intentions would be enhanced if reference could be made, in this context, to the reconsideration of some specific project such as the Concord aircraft. The Minister of Aviation, however, doubted the wisdom of referring specifically to the Concord in the statement. An immediate announcement would not lead to immediate savings; £7 million had been spent on the project already and at least twice as much would have to be spent in addition, even if a decision to abandon it was taken forthwith. Moreover, our relations with the French Government would be adversely affected. In particular, there was no break clause in the agreement and the French authorities would be free to seek to recover, by way of damages, their share of the current expenditure, amounting to some £20 million. Three other inter-related Anglo-French projects might also be affected.

On the other hand public opinion would be unimpressed if the statement offered no specific example of prospective savings on prestige projects; and there was also some risk of undesirable speculation if the initial project to be selected for this purpose was not precisely identified. On balance, therefore, the statement should indicate that, as a first step in relieving the strain on our resources, the Government would be entering into discussions with the French Government on the Concord development programme; and the French Government should be given advance warning of this announcement. But there would be considerable advantage in indicating at the same time that we intended to maintain a design effort in the field of supersonic transport.

(e) Redeployment of manpower. The reallocation of resources for more productive purposes would be liable to lead to temporary dislocation amongst the working population. Immediate priority should therefore be given to the introduction of severance payments, transfer grants and other arrangements to enable manpower to be redeployed in accordance with technological change and more rapid development in the under-developed areas of the country. The Minister of Labour would discuss these questions with his colleagues in the near future.

(f) Social programmes. The statement would need to refer to the close relationship which existed between the social programmes
to be unfolded in The Queen’s Speech and the Government’s economic policies. In particular, it would need to emphasise that these programmes would have to be financed by increased taxation.

(g) International consultation. The statement should indicate that the Government were undertaking the necessary discussions with other Governments on the international aspects of their proposals and were also arranging consultations with the International Monetary Fund in order to obtain additional borrowing facilities.

The Prime Minister, summing up the discussion, said that there appeared to be general agreement on both the immediate measures and the longer-term plans to be proposed in the Government’s statement. These measures involved obvious risks and difficulties, both at home and abroad. But the Cabinet recognised that the alternative course of taking either no action at all or purely restrictive action was unacceptable; and the Government would therefore go forward on the basis of the proposals envisaged, as amended in the light of the Cabinet’s discussion.

The Cabinet—

(1) Approved, subject to the points made in their discussion, the proposals contained in the note on a Government statement about the economic situation.

(2) Invited the First Secretary of State and the Chancellor of the Exchequer, in consultation with the other Ministers concerned, to arrange, as a matter of urgency, to submit to the Prime Minister the draft of a statement on this basis.

6. The Minister of Labour said that there was no immediate prospect of a settlement of the current dispute in the docks. The dockers were demanding an increase of 25s. a week for time-paid workers and a 5 per cent increase for piece workers, whereas the employers were only willing to concede an increase of 12s. 6d. a week to the former and a ¾ per cent increase for the latter. He proposed to hold discussions with both parties in the near future, in the hope that they might be induced to co-operate in establishing a Court of Inquiry in connection with the dispute.

The Minister of Labour said that the outcome of the current railway dispute was still uncertain. It was possible that the Unions would appeal to the National Tribunal.

The Cabinet—

Took note of these statements by the Minister of Labour.

7. The Minister of Transport said that the undertaking in the Labour Party’s Election Manifesto that major rail closures would be halted while regional transport plans were being prepared appeared likely to be misconstrued as implying not only that all rail closures would be halted but also that those which had been approved by the previous Administration but had not yet come into effect would be cancelled. He had no statutory power, however, to countermand the decisions of his predecessor in this respect. Moreover, it would not be in accord with the Government’s policy of modernisation to retain services which were uneconomic and little used. He proposed, therefore, to allow decisions taken by the Minister of Transport in the Conservative Government to be put into effect but to consider
new applications by the Board of British Railways on their merits. The Chairman of the Board had the statutory right to publish proposals for closures, but these could not be implemented without his consent and he would not give this consent without consulting the other Ministers concerned.

In discussion there was general agreement with these views. It was suggested that the Cabinet should take an early opportunity to give further consideration to the question of railway closures in relation to a co-ordinated transport policy and that, until this policy had taken shape in regional plans, the permanent way should be retained even in those cases where it was clear that lines should be closed and services should be withdrawn.

The Cabinet—

(1) Took note of the statement by the Minister of Transport.
(2) Invited the Minister of Transport to bring his proposals for transport policy before them at an early meeting.

Cabinet Office, S.W.1.
22nd October, 1964.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Wednesday, 28th October, 1964, at 3.30 p.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport
Miss Margaret Herbison, M.P., Minister of Pensions and National Insurance (Item 3)
Mr. George Thomson, M.P., Minister of State, Foreign Office (Items 1 and 2)

The following were also present:

Mr. Kenneth Robinson, M.P., Minister of Health (Item 3)
The Right Hon. Elwyn Jones, Q.C., M.P., Attorney-General (Items 1 and 2)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:

Sir Burke Trend
Mr. P. Rogers
Mr. A. A. Jarratt
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1. The Commonwealth Secretary said that his negotiations in Zambia about the payment of compensation to the British South Africa Company (Chartered) in respect of the expropriation of their mineral rights by the Zambian Government had been difficult. But the outcome, whereby the Governments of the United Kingdom and Zambia had contributed equally to the settlement, had been very satisfactory and should help to maintain friendly relations between the United Kingdom and Zambia.

The Cabinet—
Took note, with approval, of the statement by the Commonwealth Secretary about the settlement of the claim by the British South Africa Company (Chartered) in respect of the expropriation of their mineral rights by the Government of Zambia.

2. The Prime Minister said that it had become necessary to send to the Prime Minister of Southern Rhodesia, Mr. Ian Smith, on the evening of Sunday, 25th October, a statement warning him of the consequences of a unilateral declaration of independence. Since Mr. Smith had not been prepared to give an undertaking that his Government were not contemplating a unilateral declaration, it had been decided to publish the statement on the morning of 27th October, in order that the people of Southern Rhodesia might be fully seized of the consequences of unconstitutional action before a critical debate on the issue of independence started in the Legislature of Southern Rhodesia later that day. Meanwhile, the Ministers immediately concerned had reviewed the measures which we might be compelled to take if, despite the warning conveyed in our published statement, the Government of Southern Rhodesia made a unilateral declaration of independence.

In discussion it was suggested that if, in the event, the Government of Southern Rhodesia were prepared to revert to constitutional methods of conducting their affairs and to contemplate making an advance towards majority rule, we might consider providing them with additional economic aid as an inducement to maintain this attitude. Such assistance might comprise aid both for education and for the training of Africans in administration.

The Cabinet—
(1) Took note of the Prime Minister’s statement about Southern Rhodesia.
(2) Invited the Commonwealth Secretary, in consultation with the Ministers concerned, to consider whether additional economic aid might be offered to the Government of Southern Rhodesia, if they proved willing to revert to constitutional methods of conducting their affairs.

3. The Cabinet considered memoranda by the Chancellor of the Exchequer (C. (64) 7) about proposals involving public expenditure and by the Minister of Pensions and National Insurance (C. (64) 8) about an increase in social security benefits.

The Chancellor of the Exchequer said that the natural expansion of the revenue in 1965-66 would be fully absorbed by the increased expenditure resulting from the programmes which the Government had inherited from their predecessors. It would be necessary, in addition, to take account of the increased pressure on prices which
was likely to result from the economic measures announced earlier in the week. It would not be possible, therefore, to endorse all the proposals for new expenditure in 1965-66 which Ministers had now submitted. Two specific questions, however, arose for immediate decision in relation to The Queen’s Speech, namely, the size of the increase to be made in National Insurance benefits and the proposal to abolish prescription charges under the National Health Service. In considering these two issues the Cabinet would also need to bear in mind other proposals for additional expenditure which were summarised in the Annex to C. (64) 7.

An increase in National Insurance benefits should admittedly be a first call on the Government’s resources. Nevertheless, the increase of 12s. 6d. proposed by the Minister of Pensions was excessive in view of the other demands which would be made upon the revenue. An increase of 10s., with effect from April 1965, would keep benefits in line with the expected growth in average earnings between that date and the earlier increase in May 1963; and it could be coupled with the abolition of the widows’ earnings rule, an increase to 30s. in the award to the “10s. widow” and an increase of 10s. in National Assistance rates. While the Government’s commitment to remove prescription charges should also be given a high priority, it would be preferable that it should not be implemented in the first Session of the new Parliament. But the proposed expenditure of £18 million to provide for the transfer of the liability in respect of old people’s homes from the local authorities to the Exchequer might be accepted.

The Minister of Pensions said that the estimated increase in the cost of living by next April, compared with the date of the last increase in benefits, would justify an addition of about 5s. to the standard rate of benefit. Recent increases in pension rates, however, had been made by reference to the rise in average earnings; and this would justify an addition of nearly 10s. to the standard benefit. An increase confined to this figure would therefore represent the minimum improvement which the Government could reasonably make. But the Labour Party, when in Opposition, had strongly criticised the amount of the increase awarded in 1963; yet it had been three times the figure justified by the increase in the Retail Prices Index and twice the amount required by the increase in average earnings. An increase of 12s. 6d., as she proposed, would not only safeguard the Government from the criticism that they were offering pensioners no more than the Conservative Administration had provided but would also ensure a sufficiently long interval, before a further increase was required, to enable the Government’s plans for a radical reconstruction of social security benefits to be thoroughly prepared. For these reasons the rate of benefit for a single person should be increased to £4 and for a married couple to £6 10s. a week. The cost to the Exchequer would be £110 million, not £126 million as was suggested in C. (64) 7.

The Minister of Health said that the Government’s attitude to the National Health Service would be regarded as the touch-stone of their attitude to the social services as a whole. It would have been preferable to abolish all charges under the Service. But, if this was not possible on financial grounds, it would be essential to proceed at least with the complete abolition of prescription charges, which had been promised in the Labour Party Election Manifesto and was confidently expected by public opinion. This step would make no additional call upon national resources and would not necessarily require legislation.

In discussion there was considerable support for the higher rate of increase in benefits proposed by the Minister of Pensions. A new basic rate of £4 would have a more dramatic impact on public opinion than a figure of £3 17s. 6d. Moreover, the increased benefits would be enjoyed by a large number of people, since they would apply not only to the old but also to the sick and the unemployed. It should not be assumed that the remedy for inflationary pressure must...
necessarily lie wholly in curtailing expenditure in the public sector; the private sector also should make its contribution to a reduction in the pressure on resources, for example, by the curtailment or diminution of unnecessary office building. In addition, the revenue would be fortified by the receipts from the new import charges.

On the other hand it would be unwise to decide the amount of the increase in benefits by reference to the standards established by the previous Administration rather than in the light of the circumstances now facing the Government. There could be no certainty that it would be possible to hold Government expenditure within the limits of the present estimates or that the balance of the economy would be sufficiently redressed by the measures which had already been taken. In these circumstances an increase of 10s. in the basic rate of benefit, which was considerably greater than the relevant increase in the Retail Prices Index and was in line with the increase in the average level of earnings, could not be regarded as ungenerous.

In further discussion considerable support was expressed for the complete abolition of prescription charges. Alternative measures, such as a reduction in the charge from 2s. to 1s. or the extension of the 2s. charge to comprise the prescription form as a whole rather than each of its items separately, would not yield sufficient savings to offset the criticism to which the Government would be exposed if they failed to honour their commitment to abolish the charge in its entirety. The expenditure of £22 million which would be entailed by complete abolition could be absorbed if action was deferred to give effect to the proposal to transfer the liability in respect of old people's homes from the local authorities to the Exchequer.

The Prime Minister, summing up the discussion, said that the balance of opinion appeared to be in favour of an increase of 12s. 6d. in the basic rate of National Insurance benefit and the complete abolition of prescription charges. It would be very desirable that the increase in the rate of benefit should take effect, even if only partially, before the winter.

The Cabinet—

Agreed that—

(1) National Insurance benefits should be increased by 12s. 6d. with effect from April 1965, at the latest, but at an earlier date, if possible.

(2) The abolition of prescription charges under the National Health Service should be announced in The Queen's Speech.

(3) The transfer of expenditure in respect of old people's homes from the local authorities to the Exchequer should be deferred until a later date.

Cabinet Office, S.W.1.
29th October, 1964.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 29th October, 1964, at 11.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. Sir FRANK SOSKICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. MICHAEL STEWART, M.P., Secretary of State of Education and Science (Item 1)
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

Also present:
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Miss J. J. NUNN
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1. The Cabinet considered a Note by the Lord President of the Council (C. (64) 6), to which was annexed a revised draft of The Queen’s Speech on the Opening of Parliament.

In discussion the following main points were made:

(a) The Speech need not include a reference to the introduction of legislation in respect of concessionary fares; but the Government’s intentions in this respect should be made clear during the Debate on the Address.

(b) It would be desirable in principle to introduce legislation in respect of monopolies and mergers as soon as possible; but it would not be wise at this stage to give a firm undertaking to do so in the first Session.

(c) The Government’s agricultural policy might most conveniently be described in the Speech as the continuance of the system of guarantees under the existing Agriculture Acts. But the implications of this statement should be more fully explained during the Debate on the Address.

(d) The Speech should indicate the Government’s intention to restore control of rents, to establish a Crown Lands Commission as rapidly as possible and to provide for leasehold enfranchisement. The necessary Bills should be drafted and, if possible, introduced in that order; and legislation on rent control and the Crown Lands Commission should have priority over measures to deal with monopolies and mergers.

(e) While it would not be appropriate that the Speech should contain a specific reference to the issue of compensation for owner-occupiers displaced by development schemes, the Government’s policy in relation to this question should be explained during the Debate on the Address.

(f) The issue of the abolition of capital punishment could best be raised by means of a Private Member’s Bill, on which there should be a free vote. This should be arranged as rapidly as possible.

(g) The action against racial discrimination which was foreshadowed in the Speech should, if possible, deal also with incitement to racial hatred. But, in view of the difficulties of devising satisfactory legislation for this purpose, no commitment on this point should be accepted at this stage.

(h) Certain textual amendments to the draft Speech were approved.

The Cabinet—

(1) Approved, subject to the amendments agreed in discussion, the draft text of The Queen’s Speech on the Opening of Parliament annexed to C. (64) 6.

(2) Took note that the Prime Minister would submit the text, as amended, to The Queen for Her approval.

(3) Invited the Ministers concerned, in preparing for the Debate on the Address, to be guided by the points made in their discussion.

(4) Invited the Lord President, in consultation with the Home Secretary, to give further consideration to the proposal that facilities should be provided at an early date for the introduction of a Private Member’s Bill for the abolition of capital punishment.

(5) Took note that the Home Secretary would examine further the possibility of introducing legislation to deal with incitement to racial hatred.
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(5) Took note that the Home Secretary would examine further the possibility of introducing legislation to deal with incitement to racial hatred.
2. The Minister of Labour said that his discussions with the employers and the trade unions about the dispute in the docks had resulted in agreement on the appointment of a Court of Inquiry, of which Mr. Justice Devlin would be Chairman. The Court would first consider the issue of pay and might submit an interim report on this question. Thereafter it would examine other problems relating to the organisation of labour in the docks.

The Minister of Labour said that a meeting between the Chairman of the Board of British Railways and the Railway Unions would shortly take place. It seemed unlikely that this would result in a settlement; but it was uncertain whether the unions would then agree that the issue should be submitted to the National Tribunal or would decide to take other action. He would keep the situation under close review.

The Cabinet—
T ook note of these statements by the Minister of Labour.

Cabinet Office, S.W.1,
29th October, 1964.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 3rd November, 1964, at 10 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport
The Right Hon. Patrick Gordon Walker, Secretary of State for Foreign Affairs
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. Michael Stewart, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. Charles Pannell, M.P., Minister of Public Building and Works (Items 2-4)
Mr. George Darling, M.P., Minister of State, Board of Trade (Items 2-4)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Miss J. J. Nunn
Mr. A. A. Jabbett

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1. The Prime Minister said that Ministers should consider carefully any invitations which they received to broadcast or to appear on television, particularly on specially arranged programmes, since subjects which might initially appear to be uncontroversial might be held to entitle the Opposition to a right of reply. Debates with members of the Opposition should be avoided; but participation in news programmes could on occasion be helpful. Invitations to broadcast or to appear on television should be referred to his Private Office in the first instance.

In addition the Prime Minister reminded Ministers of the need to safeguard the confidential nature of their deliberations and to prevent any premature or unauthorised disclosure of the Cabinet's decisions.

2. The Cabinet considered a memorandum by the First Secretary of State (C. (64) 10) on the control of office building.

The First Secretary of State said that it was necessary to follow up the action that had been taken to deal with the immediate problem of the balance of payments by announcing equally decisive steps in relation to the domestic economy. It would take some time to formulate and to implement many of the policies required for this purpose; but the difficulties caused by the rapid growth of office building, particularly in the London area, presented an obvious case for immediate action. He proposed, therefore, with the agreement of the Minister of Housing and Local Government and of the Minister of Public Building and Works, that an announcement should be made during the Debate on the Address that the Government intended to control new office development, initially in the London Metropolitan Region, on lines similar to the Board of Trade's existing control over industrial building. This action would be designed to halt the rapid growth of offices and so to enable the Government to examine with the Greater London Council the whole problem of employment in London in relation to the housing, transport and other services required.

A Bill would be introduced under which both new office building and a change of use of existing premises in prescribed areas would require an Office Development Permit from the Board of Trade in addition to normal planning permission. The area designated in the first instance would be the London Metropolitan Region. The control would be applied with particular stringency in the Greater London Council area; and no permits would be granted except in very special circumstances. A permit would be required for new building, even if planning permission had been granted, unless a contract had been entered into before the date of the statement. A permit would also be required in the case of any change of use, unless planning permission had been given before the date of the statement. In the rest of the Metropolitan Region a permit would be required for new building or change of use in all cases where planning permission had not been given before the date of the statement. Compensation would not be payable where a permit was withheld.

The Minister of Housing said that office building in London had increased by 50 per cent since 1947; and some 21 million sq. ft. of new buildings were currently envisaged, of which 14 million sq. ft. had already received planning permission. The concentration of new office building in the metropolitan area was illustrated by the fact that, whereas 114 million sq. ft. had so far been constructed in London, the comparable figure in other major cities was less than 10 million sq. ft. In deciding the basis on which the permits were to be issued the Government would be taking the first steps in planning a more rational development of the London area; and it would be important, therefore, that the statement should indicate clearly the ways in which
developers in different parts of the London Metropolitan Region would be affected.

_The Minister of Public Building and Works_ said that the building industry would need to be assured that the proposed control of office building would not reduce the total demand on their industry, although it would lead to a redistribution of that demand amongst different parts of the economy. Moreover, the Government should indicate that they were prepared to apply the same restraints to their own plans for new offices.

In discussion there was general support for the proposed control over office building. While there was a strong case for relieving the pressure on building resources caused by new office building, the main argument to be deployed in support of the new control should be the need to deal with the long-term problems associated with the development of the London Metropolitan Region. At the same time office construction in other parts of the country should be encouraged; and further consideration should be given to the measures by which this could best be achieved.

There would be considerable pressure for compensation, particularly from those developers who had already received planning permission. The pressure might be reduced by emphasising the temporary nature of the measures now proposed; but this involved the risk that developers would assume that they would receive compensation if, when the temporary control ended, they were still refused a permit. It would therefore be advisable to make it clear that no compensation would be payable in any circumstances. This decision would inevitably result in some hard cases; but they would have to be accepted.

In further discussion the following main points were made:

(a) The Note by Officials attached to C. (64) 10 appeared to suggest that most of the office development now under consideration would eventually have to be permitted in order to provide for the replacement of old premises, the improvement of space standards and an increase in general efficiency. On the other hand there could be no guarantee that, when the temporary control was lifted, the developments subsequently approved would be the same as those which were in contemplation when the control was initially established.

(b) The restriction of new building would confer a scarcity value on offices already constructed, which would tend to be reflected in higher rents. This possibility would need to be kept under careful review.

(c) The control should be subject to a minimum limit, which would allow the construction of buildings for local services to continue.

(d) It would not be easy to find time for the proposed Bill in view of the already heavy programme of legislation facing the Government in the forthcoming Session. But room might be found for it in the early part of the Session; and every effort should be made to secure its introduction by the middle of December.

_The Prime Minister_, summing up the discussion, said that there appeared to be general agreement that legislation should be introduced for controlling office building, initially in the London Metropolitan Region, and that it should take effect retrospectively from the date of an announcement to this effect, which should be made in the very near future. The public presentation of this measure should emphasise the need to deal with the growing problems of housing, transport and other services in London. Compensation would not be payable in cases where an Office Development Permit was withheld.

_The Cabinet—_

Approved, subject to the points made in discussion, the proposals in C. (64) 10.
3. The Cabinet discussed the arrangements for the first four days of the Debate on the Address.

4. The Secretary of State for Education and Science said that it was necessary to decide whether to publish the results of the school building survey which had been undertaken in 1962; and, in view of the criticism which the Labour Party had levelled against the previous Government during the General Election campaign for their refusal to publish this survey, it might be desirable that Government spokesmen should make some reference to the matter during the Debate on the Address. The reluctance of the previous Government to publish the material derived from the survey could be understood in the light of the inept nature of the undertaking. The first part of the report of the survey consisted of an analysis of the replies of local education authorities to a questionnaire designed to ascertain whether any of 13 named defects were present in their maintained schools. This analysis had indicated that the large majority of schools were defective in several of these respects; but, since the significance of the defects varied with the circumstances of individual schools, the publication of the figures would be misleading unless they were accompanied by a full explanatory statement. The second part of the survey had called for an estimate of the cost of remedying the defects and had produced a total figure of £1,300 million. This sum, however, was wholly unrealistic in so far as it implied that all the work could be done at one time and that other relevant circumstances would remain unchanged. Allowance had in fact been made for an expenditure of £80 million in the school building programme for 1965-66; but of this sum £50 million would be required to provide for the increasing school population and only £30 million would be available for remediying defects. If the results of this part of the survey were published, therefore, the Government would be pressed to increase the amount allotted to the remediying of defects; but it would be premature to undertake a commitment to this effect in advance of consideration of the many other claims on the building industry. In all the circumstances it might be best either not to publish the results of the survey at all or, if this were thought inadvisable, to publish the first part but not the estimate of the cost of making good the deficiencies which it purported to reveal.

In discussion it was suggested that the Government would inevitably be subjected to pressure, which they would find it difficult to resist, for the publication of the results of the survey and that the balance of advantage probably inclined in favour of publishing them at once rather than at a later stage when responsibility for the continuance of the situation which they revealed might tend to be attributed to the Government in office rather than to the Government which had been in power when the survey was carried out. Moreover, since the Opposition would be aware of the estimate of the cost of remediying the defects, it might be less embarrassing to publish it forthwith than to have to face the suggestion that it disclosed a situation with which the Government were not prepared to deal. It would be necessary, however, to couple the publication of the figures with an explanatory memorandum drawing attention to the unrealistic nature of the basis on which the survey had been undertaken.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that, on balance, the results of both parts of the survey should be published. The draft of an explanatory memorandum should be submitted to the Committee on Social Services; and, until it had been examined, it would be preferable to refrain from any public or parliamentary indication of the Government's intentions in this regard.
The Cabinet—

Invited the Secretary of State for Education and Science to circulate to the Social Services Committee, for consideration at an early meeting, the draft of an explanatory statement which might be published with the results of the School Building Survey.

Cabinet Office, S.W.1,
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 5th November, 1964, at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. Sir FRANK SOSDKIE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. PATRICK GORDON WALKER, Secretary of State for Foreign Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P., Minister of Transport
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

Also present:
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
SIR BURKE TREND
Mr. P. ROGERS
Mr. D. S. LASKEY
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1. The Cabinet were informed of the business to be taken in Parliament in the following week.

2. The Foreign Secretary said that, in the light of his decisive victory in the United States Presidential Election, President Johnson might be disposed to adopt a firmer and more robust policy towards the Governments of countries such as France, Indonesia and the United Arab Republic. This would be a welcome development. It was also satisfactory that President Johnson had made it clear that, in the process of renewing contacts with other Governments after the election, he would wish to consult the United Kingdom first.

The Foreign Secretary said that there were increasing indications that General de Gaulle might seek either to withdraw France from the European Economic Community (E.E.C.) and perhaps the North Atlantic Treaty Organisation (NATO) or to frustrate any further constructive activity by these bodies. Our most effective counteraction would lie in seeking to strengthen the European Free Trade Association (EFTA), particularly since morale in the Association was already low.

The Foreign Secretary said that both the Government of India and the Soviet Government were pressing for the Geneva Conference on Cambodia to be reconvened. In answer to representations by the Soviet Ambassador in this sense he had pointed out that a prior condition of such a meeting should be an effective demarcation of the frontier between Cambodia and Vietnam. He had also indicated that he hoped the Soviet Ambassador’s approach implied that the Soviet Government no longer intended to abandon their role of co-Chairman of the Conference.

The Foreign Secretary said that the recent revolution in the Sudan seemed to be due partly to the endemic tension between the Arab and Negro elements in the Sudanese population and partly to growing dissatisfaction with military rule. It was disturbing that the civilian Government which had now been formed included four Communists, even though they did not occupy posts of critical importance. In these circumstances we must be alert for any threat to the important strategic facilities which we enjoyed in the Sudan; and Her Majesty’s Ambassador in Khartoum had already been instructed accordingly.

The Cabinet—
Took note of these statements by the Foreign Secretary.

3. The Cabinet considered a memorandum by the Home Secretary and the Commonwealth Secretary (C.64)11) on Commonwealth immigration.

The Home Secretary said that the Government were committed to reviewing, in consultation with other Commonwealth Governments, the method of controlling Commonwealth immigration to this country but to maintaining the existing control in the interim. Since 1955, Commonwealth immigrants from countries other than the old Dominions now numbered some 600,000, to which must be added a substantial natural increase. This had created potentially serious social problems and had intensified the strain on housing and other services. It was therefore in the interests of all parties that a strict control should be kept in force while these immigrants were absorbed fully into the community; and this appeared to be accepted in principle by the other Governments concerned. An indication of
the potential inflow if the control was relaxed was provided by the existence of some 330,000 applicants on the waiting list for non-priority labour vouchers.

Part I of the Commonwealth Immigrants Act, 1962, under which the present control was exercised, would lapse at the end of the year and must therefore be continued in being by the annual Expiring Laws Continuance Bill. But it would be desirable that Government spokesmen in the debate should be able to indicate that the Government had already taken the first steps to give other Commonwealth Governments the opportunity to discuss immigration control with us. The draft of a message to the other Governments for this purpose was appended to C. (64) 11. This message should confine itself to an offer of discussion and should not invite the other Governments to put forward proposals of their own, since we should not expose ourselves to the risk of receiving suggestions which we might find embarrassing or impracticable. Meanwhile, however, it would be important to review possible means by which the existing arrangements for control might be made more humane, particularly in relation to the admission of dependants of immigrants already in the country.

Discussion showed general agreement with these proposals. In addition the following main points were made:

(a) The review of immigration control should be reinforced by positive steps to secure the full integration of immigrants into the community in accordance with the undertaking given in The Queen’s Speech.

(b) It would assist the Government’s policy of promoting agreements with other countries for the mutual abolition of visas if the control could be confined to independent Commonwealth countries, immigration from the remaining dependent territories being unrestricted. It was unlikely that this would result in any considerable increase in the number of immigrants, since the populations of the territories concerned were not large and voluntary schemes of control were already in force in some cases.

(c) Consideration should be given to the proposals recently put forward by the Prime Minister of Trinidad and Tobago for the provision of training facilities for potential immigrants in their home countries in order to fit them for employment in the United Kingdom.

(d) The reference in the draft message to the problems of accommodating immigrants “in large cities where work is available” should preferably be omitted, since it was precisely their concentration in such cities which exacerbated social and housing problems.

The Cabinet—

(1) Approved, subject to the amendment suggested at (d) above, the draft communication to other Commonwealth Governments appended to C. (64) 11 and invited the Commonwealth Secretary to arrange for its despatch before the forthcoming Debate on the Expiring Laws Continuance Bill.

(2) Invited the Lord President of the Council to arrange for the Commonwealth Immigration Committee to give further consideration, in the light of their discussion, to the manner in which the Government’s policy on Commonwealth immigration would most appropriately be presented during the Debate.

Cabinet Office, S.W.1,
5th November, 1964.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 10th November, 1964, at 10.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Herbert Bevans, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport
The Right Hon. Patrick Gordon Walker, Secretary of State for Foreign Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Michael Stewart, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

Also present:
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretary:
Sir Burke Trend

SECRET
Subject:
THE BUDGET
The Budget

The Chancellor of the Exchequer communicated to the Cabinet particulars of the proposals in the forthcoming Budget.

In accordance with precedent details are not recorded in the Cabinet Conclusions.

Cabinet Office, S.W.1,
10th November, 1964.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 12th November, 1964, at 10.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs (Items 1-4)
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer (Items 1-4)
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport

The Right Hon. Patrick Gordon Walker, Secretary of State for Foreign Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Michael Stewart, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Secretary of State for Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. Roy Jenkins, M.P., Chief Secretary, Treasury (Item 3)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretary:
Sir Burke Trend
Mr. P. Rogers
Miss J. J. Nunn
Mr. A. A. Jarratt

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Foreign Secretary informed the Cabinet that it now seemed possible that the Governments of the United Arab Republic and Saudi Arabia would reach a settlement which would ensure a cessation of hostilities in the Yemen. If so, we should have to face the question whether we should thereafter recognize the regime in the Yemen and to decide the conditions on which we might be prepared to do so.

The Foreign Secretary said that there had been a revival of the recent civil disturbances in the Sudan. There was no reason to suppose that the popular agitation was directed particularly against the United Kingdom; and the new Sudanese Government were doing their best to protect foreigners. There appeared to be no need, at least at the present stage, to provide special facilities for our nationals to leave the country.

The Foreign Secretary said that the forces of the Congolese Government were now pressing hard on the rebel troops who remained in Stanleyville. It was uncertain how many foreigners, including United Kingdom nationals, the rebels still held in their power; and, although we were taking all possible measures to rescue them, there could be no assurance that we should succeed.

The Foreign Secretary informed the Cabinet that the United States Government were still refusing to commit themselves to make a contribution to the United Nations Special Fund unless the Soviet Government were prepared to make good the arrears of their contribution to the United Nations in conformity with Article 19 of the Charter of the Organisation. While we must support the Government of the United States on the issue of principle involved, we should nevertheless continue to assist the purposes of the Special Fund; and, although we should avoid any precise commitment in this connection, it would be desirable that we should undertake in principle to contribute to its activities more generously than in the previous year.

The Cabinet—

Took note of these statements by the Foreign Secretary.

3. The Cabinet considered a memorandum by the Prime Minister (C. (64) 12), to which was attached the report of the Committee on the Remuneration of Ministers and Members of Parliament (the Lawrence Committee); and a memorandum by the Lord President of the Council (C. (64) 14) on the matters arising from the report on which it was necessary for immediate decisions to be reached.
The Lord President recalled that the Lawrence Committee had been asked to report as soon as possible after the General Election in order that whatever action seemed appropriate in the light of their findings might be taken at the beginning of the new Parliament. The Committee of Ministers under his chairmanship which had considered the report had concluded that it would be desirable, in order to relieve Members of Parliament of the invidious responsibility of determining their own remuneration, to adhere as closely as possible to the Lawrence Committee's recommendations. In respect of Members' salaries and allowances, including travelling allowances and daily attendance allowance for Members of the House of Lords, the recommendations were acceptable; and the new rates should operate from the beginning of the Session. The proposal that a contributory pension scheme should be established for Members of Parliament was also acceptable in principle; but the details would require further consideration. It would be appropriate for the salaries of the Speaker, the Leader of the Opposition and the Chairman and Deputy Chairman of Ways and Means to be increased by the same amount as the Ministerial salaries with which they were linked. The Lawrence Committee had made no recommendation about the payment of the Leader of the Opposition and the Chief Whip in the House of Lords; but they had recorded that it had been represented to them that, without payment, it might be impossible for these officers to give the virtually full-time service which the proper transaction of the business of the House now required. It had been suggested that the Leader of the Opposition in the House of Lords should receive £1,500 and the Opposition Chief Whip £1,000 a year. It would be appropriate for the Opposition Chief Whip in the House of Commons to be paid at the same level as a Parliamentary Secretary.

As regards the salaries of Ministers the Ministerial Committee had thought it important to express whatever increase was considered appropriate as a proportion of that recommended by the Lawrence Committee rather than as a proportion of the existing salary. A figure of 50 per cent of the recommended increase through the whole range of Ministerial salaries appeared to be appropriate. To reduce the proportion to 40 or 30 per cent would result in the salaries of the most junior Ministers being too low in relation to those of Private Members. The Ministerial Committee's attention had been drawn to the situation of Ministers in the House of Lords who were not entitled to draw the daily attendance allowance. This might bear hardly on junior Ministers in particular, whose salaries would hardly enable them to meet the extra expense of travelling to, and living in, London. The question whether they could be allowed to continue to draw the attendance allowance, however, raised a difficult point of principle and would need further consideration in the light of the taxation implications.

It was hoped that it would be possible to embody the provisions necessary for the establishment of a Members' contributory pension scheme and those increasing Ministerial salaries in a single Bill which could be debated shortly before Christmas, on the same day as the Resolution increasing Members' salaries.
In discussion the Cabinet considered the following questions arising from the report of the Lawrence Committee:

Salaries and allowances of Members of Parliament

It was suggested that it would be embarrassing to increase Members' salaries shortly before the announcement of arbitration awards for dockers and railway workers and some months before the new increases in National Insurance benefits could take effect. Nevertheless, the Government should not evade responsibility for acting on the recommendations of an impartial committee which had been appointed for the express purpose of resolving the embarrassment which the Government of the day would always encounter in proposing increased salaries for Members of Parliament. The proposed increase was amply justified in the light of the movement of prices and salaries and of the current necessity for Members to spend the greater part of the week in London. The recommendations should therefore be accepted and should be implemented retrospectively to the beginning of the new Session. As a matter of presentation it would be desirable to attempt to make clear to the public the distinction between the basic salary of £2,000 and the allowance of £1,250 for expenses.

Pensions of Members of Parliament

It was agreed in principle that the Lawrence Committee’s recommendation for the establishment of a contributory pensions scheme should be accepted, subject to the consideration of details which the Committee had not fully elaborated. There might be advantage if the scheme operated from a date related to the introduction of graduated pensions under the National Insurance Scheme; but the precise date would have to be considered in the light of the fact that the salary recommended by the Lawrence Committee took account of the proposed pensions contribution of £150, which should accordingly be deducted from the date at which the new salary became payable. The date of operation of the pensions scheme should therefore be further considered, together with other details, by the Lord President’s Committee of Ministers.

Ministerial salaries

In discussion it was agreed that in determining the statutory salaries to be paid to Ministers due weight should be given both to the responsibilities of the posts in question and to the fact that Ministerial salaries were liable to remain unchanged for abnormally long periods. As regards the amount of the salaries it was argued, on the one hand, that the principle enunciated by Mr. Lloyd George and quoted by the Lawrence Committee, that payment in the public service should enable a man to maintain himself comfortably and honourably but not luxuriously, pointed to a level of remuneration lower than that which would result from the adoption of 50 per cent of the increase recommended by the Lawrence Committee. On the other hand, if proper allowance was made for the responsibilities of
Ministers and for the earnings of individuals of comparable standing in other walks of life, the figure of £8,500 for a senior Minister, which would result from acceptance of half the recommended increase, was the minimum that could reasonably be adopted; and even at that level Ministers would receive less than the salaries which it might prove necessary to offer in order to attract individuals from outside the public service into their Departments. For purposes of legislation, therefore, the figure of half the increase recommended by the Lawrence Committee should be adopted in respect of all Ministerial salaries, including those of the Prime Minister, the Lord Chancellor and the Law Officers. It was arguable that the Lord Advocate should be placed on an equality with the Solicitor-General, as the Lawrence Committee recommended. But it was not clear that his responsibilities, though of wider scope, were of equal weight; and the more appropriate course would be to apply the factor of half the Lawrence Committee's proposals to all existing salaries without exception.

Date of operation of increases in Ministerial salaries

It was suggested that, while it would be appropriate to introduce legislation at an early stage of the present Parliament in order to authorise the new Ministerial salaries, there would be advantage if Ministers declined for the time being to draw the additional emoluments in view of the serious economic situation. This purpose could be achieved either by a voluntary collective agreement or by a provision in the Bill that the new salaries would not become payable until a date in the future. A gesture of this kind on the part of members of the Government could be a powerful means of effecting the necessary change in the attitude of the public towards the development of an incomes policy, on which the rest of the Government's economic plans were largely dependent; and it would be in accordance with the Labour Party's policy of reducing disparity of incomes by requiring the largest sacrifices from the wealthier members of the community. On the other hand it was argued that the Government's most effective gesture would be seen to be the reduction by half of the increase recommended by the Lawrence Committee. To refuse to accept the remaining increase would be unlikely to make any additional impression on public opinion, would be irrelevant to incomes policy (which depended not on a standstill in wages and salaries but on the achievement of higher productivity) and would merely expose the Government to the continuing difficulty of finding a time when acceptance of the increases would be opportune. Moreover, it would be unwise to overlook the additional expenditure which Ministers would find it necessary to incur as a result of the acceptance of office or the losses which they would sustain by forgoing the other sources of income which had been open to them as Private Members of Parliament. A long delay in bringing the increases into operation might well place some Ministers, particularly junior Ministers, in financial embarrassment. Substantial postponement might also be embarrassing to back-bench Members of Parliament, since the considerations of the public interest which had induced Ministers to forgo an increase in their
salaries might be held to be equally applicable to Members of Parliament. The balance of advantage appeared to lie in choosing a relatively early date, such as April 1965, for the implementation of the approved increases, since by that time some recovery in the economy could be expected whereas circumstances at a later date, such as the beginning of the second Session of Parliament, would be less predictable.

Pensions of the Prime Minister and the Lord Chancellor

It was agreed that the principle of accepting half the increase recommended by the Lawrence Committee should be applied to the pensions of the Prime Minister and the Lord Chancellor.

The Speaker

It was agreed that the salaries of the Speaker, the Chairman and the Deputy Chairman of Ways and Means should be raised in conformity with Ministerial salaries, to which they were at present linked, and from the same date. The Speaker’s expense allowance should remain unchanged for the present; and his pension should continue to be fixed by Resolution of the House of Commons on the retirement of each Speaker, rather than by statute as recommended by the Lawrence Committee.

Allowances of Members of the House of Lords

It was agreed that the daily attendance allowance of Members of the House of Lords should be increased to 4½ guineas with effect from the beginning of the Session. Further consideration should be given to the position of Ministers in the House of Lords, some of whom might suffer hardship from the loss of the daily attendance allowance at a time when it had become essential for them to maintain accommodation in London. The problem should be examined by the Lord President’s Committee of Ministers.

Leader of the Opposition in the House of Commons and in the House of Lords; and the Opposition Chief Whips

It was agreed that it would probably be appropriate that the salary of the Leader of the Opposition in the House of Commons should be equated with the lower level fixed for Ministers of State and that a new salary to be paid to the Opposition Chief Whip should be at the rate applicable to a Parliamentary Secretary. The question of providing a salary for the Leader of the Opposition and the Opposition Chief Whip in the House of Lords should be examined by the Lord President’s Committee of Ministers.

Procedure

It would be desirable that a statement, indicating the Government’s intentions on the major recommendations of the Lawrence Committee, should be made by the Prime Minister in the House of Commons, to coincide with the publication of the
Committee’s report on the afternoon of Monday, 16th November. The Bill which would be required to increase Ministers’ salaries and to introduce a contributory pensions scheme for Members of Parliament should be introduced, if possible, in time to be debated before Christmas, on the same day as the Resolution authorising the increase in Members’ salaries.

The Cabinet—

(1) Agreed that the Government should—

(a) accept the recommendations of the Lawrence Committee in respect of salaries, allowances and a contributory pensions scheme for Members of Parliament and of allowances of Members of the House of Lords;

(b) propose increases in the salaries of Ministers, and of Officers of the House of Commons whose salaries were related to those of Ministers, by half the amount recommended by the Lawrence Committee, with effect from 1st April, 1965;

(c) propose an increase in the salary of the Leader of the House of Commons to an equality with that of a junior Minister of State and propose the introduction of a salary for the Opposition Chief Whip in the House of Commons on an equality with that of a Parliamentary Secretary.

(2) Invited the Lord President to arrange for his Committee of Ministers to examine, in the light of their discussion—

(a) the details of a contributory pensions scheme for Members of Parliament;

(b) the position of Ministers of the House of Lords in relation to the daily attendance allowance;

(c) the payment of a salary to the Leader of the Opposition and the Opposition Chief Whip in the House of Lords;

and to report to the Cabinet.

(3) Took note that the Prime Minister would arrange for the report of the Lawrence Committee to be published on 16th November and would announce the Government’s conclusions upon its main recommendations in the House of Commons on the same afternoon.

4. The First Secretary of State said that the Ministerial Committee on Economic Development, at their meeting on Friday, 6th November, had decided to refer to the Cabinet a proposal on which the Committee had been unable to reach agreement, that we should unilaterally abolish the remaining tariffs on industrial goods which we imported from other members of the European Free Trade Association (EFTA). This proposal was intended to counteract the adverse impact on EFTA of our recent decision to introduce import
charges in breach of the EFTA Convention and without advance consultation with our partners in the Association. It was open to the objection, however, that it would be liable to be regarded by other countries as an act of discrimination; and the force of this objection had been confirmed by the fact that, later in the same day and before there could be any opportunity to seek a ruling from the Cabinet, the French Government had made it clear that, if we discriminated in favour of EFTA, they would refuse to take the necessary technical action to enable us to have recourse to the International Monetary Fund (I.M.F.). Since we could not afford to leave sterling without the support which a drawing on the I.M.F. would provide, there had been no alternative but to inform other EFTA countries that we could not reduce our tariffs.

In discussion there was general agreement that it was very unfortunate that we should have been forced into this decision by the action of the French Government, even though it was one which, on merits, we might ultimately have reached ourselves. The Foreign Secretary, the President of the Board of Trade, and the Minister of Agriculture would be attending the EFTA Ministerial Council meeting on 19th November; and it would be necessary to consider before then the steps which might be taken at that meeting to restore the morale of EFTA, which had been severely strained by recent events.

The Cabinet—

Took note that the Prime Minister would arrange for further consideration to be given, in the light of their discussion, to the manner in which we might best seek to reinforce the cohesion of the European Free Trade Association.

5. The Prime Minister said that the Defence and Oversea Policy Committee had recently considered the supply of arms to South Africa. They had agreed in recommending that there should be an embargo on future supplies, in the sense that no new contracts should be authorised and that no new export licences should be issued. They had taken the view, however, that existing contracts, subject to two exceptions, should be fulfilled, on the grounds that their cancellation would be liable to entail serious financial and commercial consequences and might endanger our staging and overflying rights in South Africa. Since the supplies concerned were largely items of naval equipment which could not be used for internal repression, this course would be defensible.

The first of the two exceptions would relate to sporting weapons and ammunition. Since these were particularly relevant to repressive policies, all shipments would be stopped from the date of the announcement. The second exception would relate to an order for 16 Buccaneer aircraft, in respect of which the Government of South
Africa had already paid £11 million towards a contract price of £25 million. The future of this order would have to be considered in the light of our own defence requirements and of the possibility of finding an alternative foreign purchaser. A decision would be taken before the end of the year; and there was no risk that any of the aircraft would be shipped to South Africa in the meantime.

The policy which was reflected in these recommendations was similar to the policy which the United States Government had adopted in fulfilment of the United Nations Resolution on the supply of arms to South Africa. It would be necessary to convey the decisions forthwith to the Government of South Africa, together with the Governments of the United States and other countries concerned, and to make an announcement to this effect in Parliament very shortly thereafter. Meanwhile, it would be important to avoid any premature disclosure of the Government's intentions.

The Cabinet—

(1) Took note, with approval, of the Prime Minister's statement about the policy to be adopted in relation to the supply of arms to South Africa.

(2) Invited the Foreign Secretary to inform the Governments concerned of the action to be taken to give effect to this policy.

(3) Took note that the Prime Minister would arrange for the necessary announcement of the new policy to be made in Parliament at the appropriate moment.

_Cabinet Office, S.W.1,
12th November, 1964._
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 19th November, 1964, at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. R. J. GUNTER, M.P., Minister of Housing and Local Government
The Right Hon. FREDERICK LEE, M.P., Minister of Power

The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The following were also present:
Mr. GEORGE THOMSON, M.P., Minister of State for Foreign Affairs (Items 3 and 4)
Mr. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. ELWYN JONES, Q.C., M.P., Attorney-General

Secretariat:
SIR BURKE TREND
Mr. P. ROGERS
Mr. A. A. JARRATT
Miss J. J. NUNN

C.C. (64) 9th Conclusions

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1. The Cabinet were informed of the business to be taken in the House of Commons the following week.

The Minister of Housing and Local Government said that the provisions of the Protection from Eviction Bill relating to agricultural tied cottages were likely to be controversial. They were not essential to the main purpose of the Bill and could be omitted if this were judged advisable in order to save Parliamentary time. On balance, however, it would be preferable to retain them.

Discussion showed general agreement with this view.

The Cabinet—

(1) Agreed that the provisions of the Protection from Eviction Bill relating to agricultural tied cottages should be retained in the Bill.

The Secretary of State for Education and Science said that he had it in mind to announce his decision in respect of the maintenance of grammar schools in Bristol during the adjournment debate on Friday, 27th November.

In discussion it was suggested that the Cabinet should take an early opportunity to consider the Government's policy in relation to grammar schools generally, after proposals for this purpose had been examined by the appropriate Committee.

The Cabinet—

(2) Invited the Secretary of State for Education and Science to circulate to the Social Services Committee, and subsequently to the Cabinet, proposals about the future of grammar schools in the educational system.

2. The Cabinet discussed the possibility that, despite the formidable administrative difficulties involved, the effective date of payment of the increased National Insurance benefits, which had recently been announced as 29th March, 1965, should be accelerated.

The Chancellor of the Exchequer said that he had agreed that the date should be advanced in relation to disability benefits and the abolition of the rule relating to widows' earnings. The advancement of the date in relation to benefits generally, however, would have serious financial implications in as much as it would entail additional expenditure of £25 million a month, of which only £16 million would be offset by increased contributions and the balance would have to be financed by the Exchequer. This would be very unwelcome; and, if the increase in benefits were to take effect from a date earlier than that originally envisaged, whether by back-dating or otherwise, it would at least be essential that the increase in contributions should be correspondingly accelerated.
SECRET

In discussion there was general agreement that, despite the extra cost to the Exchequer, there would be advantage in advancing the effective date of payment of the benefits, provided that means could be found to overcome the administrative complications. If so, however, the effective date of the increase in contributions should be similarly advanced. Alternatively, some means might be devised for supplementing National Insurance benefits for a limited period during the winter, on the lines of the arrangement which has already been approved for this purpose in relation to National Assistance.

The Cabinet—

Invited the Minister of Pensions and National Insurance, in consultation with the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster and the Minister of Technology, to circulate, for consideration at their next meeting, a memorandum discussing:

(a) the cost of advancing the effective date of payment of the approved increase in National Insurance benefits, on the assumption that the date of the increase in contributions would be similarly advanced;

(b) the possibility of expediting the administrative processes involved, particularly by the employment of independent advice on the extent to which computer services might be used for this purpose;

(c) the possibility of arranging for some limited supplementation of National Insurance benefits during the winter on the lines of the corresponding concession already approved in relation to National Assistance.

3. The Minister of State for Foreign Affairs (Mr. Thomson) said that it still seemed unlikely that the Soviet Government would be willing to modify their refusal to make good the arrears of their contributions to the United Nations Organisation; and, if they persisted in this attitude, a very serious situation could arise under Article 19 of the Charter of the Organisation. We should continue to support the United States Government on the issue of principle involved; but we should be ready to consider any means by which a reasonable compromise settlement might be reached.

The Minister of State for Foreign Affairs (Mr. Thomson) said that the armed forces of the Congolese Government were continuing to advance on the rebel stronghold in Stanleyville and some 1,000 Europeans, including 26 United Kingdom nationals, who were at present held as hostages by the rebels, were now in grave danger. The Belgian Government had concerted with the United States Government an operation by which Belgian paratroopers might be dropped on Stanleyville from United States aircraft, in an effort to rescue the hostages. It had been agreed that we should be prepared in principle to provide staging facilities for the aircraft at Ascension Island.

SECRET
In discussion some concern was expressed that our participation in this operation might embarrass our relations with other African countries, especially if it could be misrepresented as implying tacit support for the present Government of the Congo and for the policies of the Belgian Government in Africa. It was generally agreed, however, that we could not stand aside in view of the risk to the lives of United Kingdom nationals and the unlikelihood that any other organisation, e.g., the International Red Cross, would be able to intervene effectively.

The Cabinet—
(1) Took note of these statements by the Minister of State for Foreign Affairs.
(2) Took note that the Prime Minister, in consultation with the Foreign Secretary and the Secretary of State for Defence, would keep the situation in Stanleyville under close review.

4. The Chancellor of the Exchequer said that the Ministerial Sub-Committee on External Economic Policy had considered, earlier in the week, the attitude to be adopted by the United Kingdom Ministers attending the Ministerial meeting of the European Free Trade Association (EFTA) in Geneva on 19th–20th November. The Sub-Committee had considered a number of proposals designed to counteract the effects on EFTA of our imposition of import surcharges in breach of the Stockholm Convention and without prior consultation with our partners. These proposals had included a suggestion that we should give the other members of the Association an undertaking that the first relaxation of the surcharges would take place by the middle of next year: but the Sub-Committee had considered that, while this might in fact prove to be an appropriate time for some relaxation, it would be unwise to commit ourselves in advance. The Sub-Committee had also examined a suggestion, which it was understood that the Swedish Government might wish to put forward, for a multilateral acceleration of reductions in the remaining EFTA tariffs on industrial goods. But this would conflict with the undertaking, which we had recently given as a virtual condition of our recourse to the International Monetary Fund, that we would not discriminate in favour of EFTA; and in any case it would be unlikely to appeal to some members of the Association itself. We should therefore seek to dissuade the Swedish representative from raising this issue at the Ministerial meeting. Thirdly, a suggestion had been put forward by M. Haekkerup, the Danish Foreign Minister, for the creation of a common EFTA Fund, to be financed by the proceeds of our own import surcharges and of the remaining customs duties levied by EFTA countries and to be used for promoting development projects in less developed countries and within EFTA and for encouraging projects designed to increase intra-EFTA trade.
M. Haekkerup had already been informed, however, that his proposal would be unacceptable to us, particularly in view of its probable effect on our balance of payments.

On the other hand it should be possible for us to accept another proposal by M. Haekkerup for the establishment of a new Standing Committee of officials in EFTA to review economic developments in member countries. Our representatives at the Ministerial meeting could also renew our undertaking to consult the other members of the Association when we were able to relax our import surcharges; and they would be able to announce a technical concession in relation to the imposition of the surcharges on duty-paid contracts. Moreover, they would take credit for the fact that we had given EFTA advance information about the contents of the industrial exceptions list which we proposed to table in connection with the tariff negotiations in the Kennedy Round and that we should be prepared to outline to our partners the agricultural offer list which we should be tabling shortly in relation to the same negotiations.

We must hope that action on these lines would demonstrate our wish to maintain the cohesion of EFTA and to restore the Association’s morale. Our partners should be reminded, however, that, although they would suffer temporary embarrassment as a result of our import surcharges, they had derived great benefits by way of increased trade with this country since the Stockholm Convention was signed and that it was in their interests to await the opportunity for a further expansion of this trade which would arise as soon as the surcharges were removed.

The Cabinet—

Took note, with approval, of the statement by the Chancellor of the Exchequer.

5. The Cabinet considered a memorandum by the Home Secretary (C. (64) 15) on the threatened dock strike.

The Minister of Labour said that the first report of the Committee of Inquiry which had been appointed to consider issues arising from the current dispute in the docks was likely to recommend wage increases of 5 per cent on piece rates and 19s. 2d. on weekly time rates. These should be compared with the Union’s claim for increases of 5 per cent on piece rates and 25s. on weekly time rates and with the employers’ offer of increases of 3½ per cent on piece rates and 12s. 6d. on weekly time rates. If account was taken of the last increase received by dock workers in May 1962 of the agreement which they had secured for a shorter working week and of the fact that some 30 per cent of dock workers were on time rates and 70 per cent on piece rates, the additional amounts which the Committee would probably propose could be said to be equivalent to an average increase of 4 per cent per annum. An award of this kind should remove the risk of a dock strike; and, although there would still be difficult negotiations about its application, it should
ease the remaining stages of the Committee's work on such major questions as the decasualisation of dock labour.

The Home Secretary said that the Ministerial Committee on Emergencies had given preliminary consideration to the measures which the Government might need to take if a national dock strike started on 1st December. Now that there was a reasonable prospect that the strike would not take place it would be essential to avoid any action which might be regarded as needlessly provocative and so frustrate a peaceful settlement. At the same time it was the duty of the Government to make plans to maintain essential supplies if the strike took place. If it was decided that troops should be employed in the docks, the Ministry of Defence would need to consult units below Command level 10 days before the strike was expected to start. This would be followed by discussions with the port authorities six days before the start of the strike; and movement of troops would begin three days later. But, even if all available troops were used, together with any voluntary civilian reinforcements which might be enlisted, insufficient labour would be available to deal with the situation which would arise if a dock strike developed into more widespread industrial action. Moreover, the Government's preparations could not be kept secret once the consultations with the port authorities had taken place; and even consultation within the Services below Command level might become known. Since it seemed unlikely that there would be any serious shortage of essential foods for about three weeks after the start of a dock strike and the risk of the strike had itself receded, it might be advisable that the initial action by the Ministry of Defence should be deferred for the time being. Subject to this reservation, it would be desirable that he should be authorised, if subsequent developments so required and after consultation with the Minister of Labour, to invite the Ministry of Defence to begin consultation with Service units below Command level.

In discussion there was general agreement that no overt step should be taken which might prejudice the discussions which would now have to be undertaken in the light of the probable recommendation of the Committee of Inquiry and that the Cabinet should consider the situation again in the following week.

In further discussion it was suggested that it might be desirable to commission an inquiry into the adverse effects on exports of congestion in the docks, particularly where they were also used as warehouses. Such an inquiry should examine, in addition, the possibility of distributing the shipment of cargo among a larger number of ports.

The Cabinet—
(1) Agreed to give further consideration, at a subsequent meeting, to the proposals in C. (64) 15 for maintaining essential supplies in the event of a dock strike.
SECRET

(2) Agreed that, meanwhile, no action should be taken which might jeopardise negotiations for a settlement of the current dispute in the docks.

(3) Invited the First Secretary of State to arrange for the Economic Development Committee to consider the causes of delay and congestion in the docks and to recommend how these questions might best be examined in greater detail.

6. The Minister of Labour said that the unofficial decision to work to rule by drivers in the South-Eastern section of the Southern Region of British Railways had now been withdrawn, on the understanding that the issue in dispute would be submitted to the Railways Tribunal on 1st December.

As regards the dispute in respect of London buses discussions were taking place between the London Transport Authority and the Transport and General Workers Union.

The Cabinet—

Took note of these statements by the Minister of Labour.

7. The Cabinet considered a memorandum by the Lord President of the Council (C. (64) 16), to which was annexed a provisional programme of legislation for 1964-65.

The Lord President said that the Bills to which the Government were already committed, together with others which might become essential or were considered to be of exceptional urgency or importance, had been placed by the Future Legislation Committee in Lists A and B of the programme annexed to C. (64) 16. These Bills, however, would occupy an amount of Parliamentary time equivalent to two normal Sessions. Additional time could possibly be provided by arranging for Parliament to reassemble after the Christmas recess as early as 12th January (although this would be advantageous only if Bills were ready for introduction by then) and by reducing the Whitsun recess to one week. It might also be possible to continue the Session until the end of November. Even so, it was clear that no new commitments could be undertaken unless the Government were prepared to defer some Bills to which they were already committed. Moreover, it would be important that Bills should be brought forward in good time. It was hoped to introduce before Christmas the Bills on Capital Punishment, Control of Offices, Highland Development Authority, War Damage and Ministers’ Salaries and Members’ Pensions and to introduce in January those on Trade Disputes, the Law Commission, Racial Discrimination and the Parliamentary Commissioner. The Rent Bill and the Iron and Steel Bill must be introduced by the middle of February if they were not to encounter considerable difficulty later in the Session. Bills in List B2 would be
brought forward if time allowed; but it was unlikely that room could be found in the programme for the measures in List C, which should be regarded as held in reserve and should not be accorded any priority in drafting.

In discussion the following main points were made:

(a) It was important that the Overseas Aid Bill and the Colonial Development and Welfare Bills, which might be combined, should be passed during the current Session, since the existing provisions for financial assistance to overseas territories would lapse in March 1966 and it was very desirable to give the territories concerned adequate notice of the aid on which they could rely for the purpose of planning their own programmes during the succeeding three years. Either the necessary legislation should be enacted before the summer of 1965 or the Government should be prepared to give a binding undertaking, in advance of legislation, to provide specified amounts of aid during the next three years. The Overseas Service Bill was equally important as a measure for enabling the Government to contribute to the remuneration of European staff employed in the public services of the developing territories.

(b) The Backing of Warrants Bill, which was designed to remedy a defect in the arrangements for returning to the Irish Republic fugitives from justice in that country, might necessitate further negotiations with the Irish Republican Government, who were ready to introduce a corresponding Bill in their own Legislature. It would therefore be inappropriate that the United Kingdom legislation should be introduced by a Private Member; but it would be embarrassing if the arrangements for the reciprocal return of fugitives could not be put on a satisfactory basis during the current Session.

(c) The completion of the Rent Bill must await consideration of the report of the Committee under the chairmanship of Sir Milner Holland. Subject to this, it would be convenient if the stages of this Bill were arranged concurrently with those of the Iron and Steel Bill and both Bills were, if necessary, made the subject of a single timetable Resolution.

(d) As a means of stimulating public discussion of the Government's proposals there might be advantage in introducing during the summer any major Bills which could not be ready earlier, even if they were unlikely to be enacted before the end of the Session. Consideration might also be given to the possibility of arranging for certain Bills to be carried over, by Resolution, into the following Session.

The Cabinet—

(1) Invited the Minister of Overseas Development to give further consideration to the possibility of amalgamating the Overseas Aid Bill and the Colonial Development and Welfare Bills and to submit drafts of the Bill and of the Overseas Service Bill to the Legislation Committee for
further consideration of their eligibility for inclusion in the legislative programme for 1964-65.

(2) Invited the Home Secretary, in consultation with the Lord President and the Chief Whip, to give further consideration to the possibility of arranging for the Backing of Warrants Bill to be introduced by a Private Member.

(3) Subject to Conclusions (1) and (2) above, approved in principle the legislative programme for 1964-65 annexed to C. (64) 16 and invited the Lord President to arrange for the Future Legislation Committee to keep the programme under review.

Cabinet Office, S.W.1,
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 24th November, 1964, at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. Sir FRANK SOKSICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P., Minister of Transport

The following were also present:
The Right Hon. MARGARET HERBISON, M.P., Minister of Pensions and National Insurance (Item 1)
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Postmaster-General (Item 1)

The following were also present:
The Right Hon. ROY JENKINS, M.P., Minister of Aviation (Item 4)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury
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Pensions

(Previous Reference: C.C. (64) 9th Conclusions, Minute 2)

1. The Cabinet considered memoranda by the Minister of Pensions and National Insurance (C. (64) 18) and by the Chancellor of the Exchequer (C. (64) 19) on the possibility of advancing the date of payment of National Insurance benefits.

The Minister of Technology said that, in accordance with the Cabinet's directions, an inquiry had been conducted into the possibility of using computer services to enable the date from which pensioners' order books could be amended in order to incorporate the new rates of benefit to be brought forward from 29th March. If the maximum use could be made of the Government's available computer capacity, it might be possible to advance the date by some eight weeks, although there would be a number of attendant risks. A more reasonable estimate, based on a less intensive use of the Government's computer resources, would be an acceleration of three weeks; but even this could not be regarded as a certainty.

The Minister of Pensions and National Insurance said that, for the reasons given by the Minister of Technology, she had investigated an alternative method of making payments to pensioners before 29th March, whereby Post Offices would be instructed to pay a multiple of the amount printed on pensioners' order foils, the total of the extra sums payable being related roughly to the amount which the pensioner would have received if it had been practicable to advance the date of payment. There would be strong pressure for making advance payments of this kind not only to National Insurance retirement pensioners but also to widows of all classes and to war and industrial disablement pensioners, to whom also it would otherwise be impossible to pay the increased awards until the end of March. The pensioners in all these categories would number about 7½ million. Some anomalies might be inevitable, since some pensioners entitled to payments would receive too much because the figure which the Post Office would multiply would include elements in their pensions that were not being increased, while others would receive too little because of the operation of the earnings rule and yet others might receive no additional payments at all for largely accidental reasons. The legislation providing for advance payments would therefore need to give the Minister wide discretion in settling the conditions for entitlement; and any complaints about the inequities of the scheme would have to be justified on the grounds that they were administratively unavoidable.

The advance payment of increased pensions would create difficulties for the National Assistance Board. Normally, the Board would be obliged to take account of such an advance payment received by a recipient of assistance by reducing, and possibly eliminating, his assistance in the week in question. This could be overcome, in the case of recipients of assistance who were also supplemented pensioners, by giving the Board statutory authority to disregard for assistance purposes any advance payments of National Insurance or war pensions. This, however, would leave without additional relief about half a million people on National Assistance...
who were not in receipt of National Insurance benefits but were for the most part worse off than retirement or war pensioners. In these circumstances the Board would wish to bring forward the date for the operation of the improved assistance scales to 25th January. Suitable arrangements could then be made whereby, for all practical purposes, all recipients of assistance would receive an increase in their income whether from National Insurance benefit or from National Assistance.

The cost of paying on three occasions double the amount on the face of all pension orders (which would be equivalent to bringing forward the date of payment to 7th December) would be £60 million in the case of National Insurance retirement pensioners; and the three payments would be made just before Christmas, near the end of January and near the end of February. Further investigation had shown that contributions could be increased from the first week in February rather than 8th March as suggested in C. (64) 18, provided that the Post Office could accept the administrative and financial consequences of deferring certain requirements of their own in order to give priority to the printing and issue of the new insurance stamps. On this basis some £40 million of the total cost of £60 million could be offset by contributions; the proportion borne by the Exchequer would be about £10 million; and the balance of about £10 million would be met from the National Insurance Fund. The cost of paying the discretionary £4 bonus already agreed for recipients of National Assistance, together with the cost of increasing National Assistance rates from 25th January, would be no greater than the original estimate of the cost of granting the £4 bonus, namely, £6 million. If widows were also given three double payments and disablement pensioners one double payment (i.e., pending the increase in the unemployability supplement on 25th January), the cost to the Exchequer would be £2 million. The Exchequer would also have to meet the cost of further special lump sum payments of National Assistance, amounting to £1 million. Thus, the total cost to the Exchequer of advance payments in respect of all categories of National Insurance and National Assistance beneficiaries, after taking account of an earlier increase in National Insurance contributions than had been expected, would be about £13 million. By contrast, if the increase in National Insurance benefit was not accelerated, the Exchequer would still have to pay £6 million by way of the discretionary bonus to recipients of National Assistance, together with an additional £10½ million if the National Assistance scales were to be improved on 25th January.

The Chancellor of the Exchequer said that the Cabinet had already approved additional expenditure of £18 million in 1964-65 in respect of the discretionary National Assistance bonus, the earlier introduction of short-term benefits and the advancement of the date for the abolition of the widows' earnings rule. In the present economic circumstances there were the strongest objections to imposing on the Exchequer, in addition, the cost of the proposals which had been outlined by the Minister of Pensions.

In discussion it was suggested that the Government would attract more criticism than credit by introducing a scheme of advance
payments which might, by its nature, produce inequitable anomalies. Moreover, they had already effected very significant improvements in social benefits since assuming office less than six weeks earlier, particularly by authorising an increase in National Insurance benefits which was greater than was required by the rise in average earnings and the Retail Price Index since the last improvement. This should suffice to hold the position while they prepared further improvements in benefits, particularly the Income Guarantee scheme. In any event a large number of retirement pensioners were not in acute financial difficulties; and, if it was judged that the remainder genuinely needed additional relief before the end of March 1965 it would be preferable to bring forward the date for improving National Assistance payments than to make advance payments of the new National Insurance benefits.

On the other hand the additional measures which had already been agreed, particularly the discretionary National Assistance bonus, had evoked considerable criticism in view of the anomalies which they had created, especially in relation to retirement pensioners who were not eligible for National Assistance; and it might be desirable to try to allay this criticism to some extent by advancing, at least by a few weeks, the date on which the improved National Insurance benefits would be payable. Moreover, there was now a general expectation that payment of these benefits would in fact be accelerated; and there would be widespread disappointment and criticism if, after all, the Government decided to adhere to 29th March, 1965, as the effective date. It would also be difficult to conceal the fact that the National Assistance Board would think it right to increase the scales for assistance from 25th January, 1965.

The Prime Minister, summing up the discussion, said that, in seeking to strike a balance between these conflicting considerations, the Cabinet should have due regard to the change in our economic circumstances which had taken place since their earlier discussion of the questions at issue, as evidenced by the sharp increase in Bank Rate on the previous day. Rightly or wrongly, foreign holders of sterling would be considerably influenced by the extent to which they felt confidence in the Government’s economic policies as a whole and by the Government’s firmness in adhering to decisions once taken. It was no less relevant that an exhaustive examination had revealed no means of overcoming the administrative difficulties in the way of advancing the date of payment of the increased benefits without the risk of creating indefensible anomalies. For these reasons it appeared inevitable that the Cabinet’s earlier decision should stand.

The Cabinet—

Agreed that, with the exception of the concessions already agreed and indicated in paragraph 5 of C. (64) 19, the introduction of increased National Insurance benefits and improved National Assistance scales should not take effect until 29th March, 1965.

SECRET
2. The Prime Minister informed the Cabinet that the increase of 2 per cent in Bank Rate which had been made on the previous day had been rendered inevitable by the increasing strain to which sterling had been subjected during the preceding week. The need for action had not become fully apparent until the week-end; and, since it had then emerged that the increase should preferably take effect at the opening of business on the morning of Monday, 23rd November, there had been no opportunity to inform the Cabinet collectively of what was proposed. But those members of the Cabinet who had attended the Ministerial discussions on defence and foreign policy at Chequers during the week-end had been consulted and had endorsed the proposed increase.

The Chancellor of the Exchequer said that the immediate effect of the increase appeared to have been salutary but that it would remain important to convince overseas holders of sterling that the Government's long-term economic policies were sound. From this point of view it was unfortunate that action which we had had to take in an attempt to repel an external threat to sterling in the short term would be liable to exert a disinflationary influence on the domestic economy and to that extent would appear to be inconsistent with the Government's view that such reduction of internal demand as was required should be sufficiently achieved by the recently imposed import surcharges and increases in taxation. Nevertheless, it was essential that we should sustain the strength of sterling until the import surcharges had had an opportunity to exert their full effect; and for this purpose an increase in Bank Rate had been shown to be essential.

In discussion there was general agreement with this view. On the other hand the disinflationary implications of the increase would be liable to make it more difficult to reach agreement with the trade unions on an effective incomes policy. In addition, they would not be easily reconciled with the Government's declared intention to ensure the continued provision of finance on favourable terms for social purposes, particularly housing. Any systematic attempt to introduce differential interest rates, however, would be liable to impose heavy additional demands on the Exchequer; and it would be preferable to defer for as long as possible any decision about the rates to be charged by the Public Works Loan Board to local authorities, since there might be alternative means of easing the impact of the increase in Bank Rate on the cost of local authority housing. It would also be desirable to seek to dissociate the Government's long-term policy in relation to advances by building societies, which might well require legislative sanction, from any changes in the interest rate for those advances which might be required in the short term by the increase in Bank Rate.

The Cabinet—

Took note of the recent increase in Bank Rate and of the points made in their discussion.

SECRET
CC. 10 (64)

3. The Foreign Secretary said that the Ministerial Meeting of the European Free Trade Association (EFTA) in the previous week had provided convincing evidence of the shock which our unilateral decision to introduce import surcharges had inflicted on both official opinion and popular sentiment in the other member countries of the Association. It had appeared at one point during the meeting that the other members might well invoke Article 31 of the Treaty, which would enable them to adopt retaliatory measures against us; and it was only with considerable difficulty that we had avoided this risk. The disintegration of the Association would be gravely damaging to our interests, not least because it would also endanger any prospect of our negotiating a closer relationship with the European Economic Community if we wished to do so; and it had therefore been essential to devise some means of allaying the criticisms which the other member countries of the Association had expressed and of renewing the cohesion of the Association itself. For this purpose we had been obliged to undertake to begin to reduce or to abolish the import surcharges in a matter of months. Formally, this allowed us considerable latitude; but it was clear that, in fact, we should be expected to make some degree of reduction in the surcharges by the time of the next Ministerial meeting (which had only with difficulty been postponed to February 1965); and if, at that point, we were unable even to offer the prospect of a reduction in the near future, the Association might well be finally disrupted.

The President of the Board of Trade endorsed the Foreign Secretary's assessment of the situation and said that, at the minimum, it would probably be necessary for us to undertake, at the February meeting, to make some reduction in the surcharges by not later than June.

In discussion it was suggested that the resentment of the other member countries of EFTA had probably been prompted less by the technical breach of the Treaty which was implicit in our unilateral imposition of the import surcharges than by their concern about the impact of the surcharges on their export trade. But this was inevitable if we were to rectify our balance of payments; and any premature reduction of the surcharges would therefore recreate the problem by re-admitting imports which would have been merely deferred rather than eliminated. On the other hand it was politically essential to maintain EFTA as an effective organisation; and we should therefore be prepared at least to consider by the end of February the possibility of making some reduction in the surcharges shortly thereafter as a means of testing the market. If this showed that it would probably be necessary to retain some form of import restriction for a more prolonged period, it would be desirable to consider substituting import quotas for the surcharges.

The Prime Minister, summing up the discussion, said that it was not necessary to seek decisions on these questions at the present juncture; but the Cabinet should keep the matter under close review.
and should give further consideration to the issues involved before
the February meeting of the EFTA Council.

The Cabinet—

(1) Took note of the statements by the Foreign Secretary and
the President of the Board of Trade.

(2) Agreed to give further consideration to the level of import
surcharges and related issues before the meeting of the
Council of the European Free Trade Association in
February 1965.

4. The Prime Minister recalled that the Cabinet had agreed to
defer a decision on the export of the 16 Buccaneer aircraft which were
being manufactured for the South African Government, pending
further consideration of our own requirement for aircraft of this type.
A subsequent review of defence policy had established that there
was no United Kingdom requirement for the 16 aircraft in question;
nor were there any acceptable foreign purchasers. To cancel the
contract would therefore involve the loss of an export order worth
£25 million and might also involve us in a liability to pay compensation
to the South African Government at least to the extent of the
£11.5 million which they had already disbursed. In addition it might
precipitate a serious problem of redundant labour at the factory
concerned. To allow the contract to be completed, however, would
be in line with the policy which the Cabinet had already approved
in relation to the supply of other weapons to South Africa, namely
that new orders should be refused but that existing commitments
should be fulfilled. It would be implicit in this decision that the export
of spare parts for these aircraft should also be permitted.

African opinion would probably understand, and at least
acquiesce in, a decision in this sense. Any adverse reaction by the
South African Government to a limited concession of this kind would
not necessarily be serious if it were confined to the Simonstown
Agreement, since the value of this Agreement had already been
reduced by the statement by the Prime Minister of South Africa,
Dr. Verwoerd, that it could be cancelled unilaterally by the South
African Government. In that event we should have to face the cost
of reproviding the Simonstown facilities, if we judged it necessary
to do so. Our interests might be more seriously jeopardised, however,
if the South African Government decided to cancel the air staging
and overflying rights on which we relied for access to the High
Commission territories. These territories were also dependent on other
forms of co-operation by South Africa, particularly in the economic
field, which might similarly be put at risk.

SECRET
In discussion there was general agreement that the export of the 16 aircraft should be permitted in accordance with the contract. In addition the following points were made:

(a) The South African Government might decline to accept our decision unless they were allowed to order a further 16 Buccaneer aircraft which they were known to be contemplating, on the ground that the force in question should be uniform, not composite. But no contract for the additional aircraft had yet been signed; and it did not appear that the South African Government had any legal entitlement to break the existing contract if they were not allowed to acquire the full 32 aircraft. This assumption, however, should be confirmed.

(b) An agreement to permit the export of spare parts for the limited number of aircraft to be delivered, on the ground that the supply of a reasonable quantity of spare parts was implicit in the contract for the manufacture of the aircraft themselves, might lead the South African Government to claim a corresponding right to the supply of spare parts for naval equipment of United Kingdom manufacture, whereas the Cabinet’s earlier view had been that such spare parts should be supplied only to the extent to which they were specifically envisaged in the contracts in question. Any claim of this kind would have to be considered on its merits and in the light of the United Nations’ resolution on the supply of spare parts to South Africa.

(c) A refusal to permit the export of the further 16 aircraft would not endanger employment in the factory concerned. Existing orders for Buccaneer aircraft would ensure the continuation of production until 1968; and the Royal Air Force might have a further requirement extending beyond that date.

The Cabinet—

(1) Agreed that the export of the 16 Buccaneer aircraft for which the South African Government had signed a contract should be permitted and that this authority should comprise, in addition, the necessary spare parts.

(2) Invited the Foreign Secretary, in consultation with the Attorney-General, to give further consideration to the possibility that the South African Government would have grounds of action, possibly extending to the cancellation of the contract, if they were not allowed to contract for the purchase of a further 16 Buccaneer aircraft.

(3) Subject to the action to be taken under Conclusion (2) above, invited the Foreign Secretary to inform the South African Government immediately of the decision recorded at Conclusion (1) above.

(4) Took note that the Prime Minister would announce this decision in the House of Commons on the following day.
5. The First Secretary of State said that the Ministerial Economic Development Committee had now considered the Cabinet's suggestion that an inquiry should be arranged into the most effective means of reducing congestion in the docks. They had reached the conclusion that an independent investigation would be liable to be misunderstood, and perhaps resented, by labour in the docks; and they had therefore recommended that the review should be entrusted to an interdepartmental committee of officials.

In discussion there was general agreement with this proposal.

The Cabinet—

Invited the Minister of Transport, in consultation with the President of the Board of Trade, the Minister of Labour and other Ministers concerned, to arrange for an interdepartmental committee to be established in order to investigate the most effective means of reducing congestion in the docks.

Cabinet Office, S.W.1.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 26th November, 1964, at 10.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Foreign Affairs
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport

The following were also present:
Mr. John Diamond, M.P., Chief Secretary, Treasury (Item 6)
Mr. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretary:
Sir Burke Trend
Mr. P. Rogers
Miss J. J. Nunn

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Prime Minister said that Sir Winston Churchill would celebrate his 90th birthday on Monday, 30th November. It would be appropriate that the Cabinet should send a message of greeting and congratulation to Sir Winston on this occasion; and he hoped that it might be possible for him to deliver this message in person.

The Cabinet—

Endorsed the Prime Minister's proposal.

3. The Prime Minister informed the Cabinet that the heavy pressure on sterling which had developed within the last few days had been relieved during the previous afternoon by the offer of the Central Banks of eleven foreign countries, together with the Bank for International Settlements, to put at our disposal resources which would be equivalent to $3,000 million. This gesture provided not only essential technical support for sterling but also convincing evidence that international monetary authorities were convinced of the importance of maintaining sterling as a reserve currency and had sufficient confidence in its basic stability to be prepared to make a considerable effort to reinforce it at a moment of particular stress.

The Chancellor of the Exchequer said that, although the action of the other Central Banks had been very welcome, it afforded no grounds for complacency. It would be particularly important, therefore, that the Government's intentions should henceforward be expounded in terms which would command not only political support at home but also the confidence of foreign holders of sterling. The various measures which the Government had in mind—economies in defence expenditure, the provision of further incentives for the export trade, a critical review of prestige projects and so forth—must be shown to be directed primarily to the release of productive resources in order to ensure the stability and expansion of the economy; and it would be very desirable that all Government spokesmen should stress, in public pronouncements, that this would be the main purpose of the Government's policies.

In discussion there was general agreement with these views. It would be important to convince domestic opinion that a stable currency depended to a considerable extent upon the degree to which other countries believed that our economy was basically sound and healthy. From this point of view international opinion would be liable to attach greater importance to positive and rapid action to increase production and productivity than to the more gradual elaboration of an incomes policy; and for the same reason, it would be desirable...
that in any public discussion of the Government’s proposals to nationalise the iron and steel industry Ministers should emphasise the contribution which this measure would make to the expansion of exports rather than the political commitment which it would discharge.

The Prime Minister invited all Ministers to be guided, in any public statements which they might make in the near future, by the main considerations which had emerged from the discussion and to ensure that junior Ministers were similarly advised.

4. The Foreign Secretary said that the recent proposal by the Belgian and United States Governments to attempt to rescue the Europeans who were held as hostages by the rebel Congolese forces in Stanleyville had confronted us with a difficult choice. If we were seen to contribute to the operation by placing facilities on Ascension Island at the disposal of the United States aircraft conveying the Belgian paratroops concerned, we ran the risk that we might provoke the rebel forces to massacre the hostages forthwith and, by appearing to support the Government of M. Tshombe, might alienate opinion in other African countries. On the other hand, if we refused to assist the Belgian and United States Governments, we might be held partially responsible for any disaster which overtook the hostages. In these circumstances the obligation to try to save human life was clearly paramount; and we had therefore agreed that the aircraft engaged in the rescue operation should be given staging facilities on Ascension Island. This had undoubtedly contributed to the success of the operation; and many lives had been saved. In particular, all United Kingdom subjects, with one possible exception, had been rescued. The fact that a number of non-Europeans had also been saved and that we were now seeking to ensure that relief supplies would be provided for the Africans who had suffered during the attack on Stanleyville might moderate to some extent the sharp political criticism of our action which had been expressed by most African countries, with the exception of Nigeria.

The Belgian force were now engaged in a secondary rescue operation elsewhere in the Congo; but thereafter they would be withdrawn and should have returned to Belgium by the beginning of the following week. The humanitarian purpose of the operation would, by then, have been achieved as far as was possible; but an unknown number of Europeans, living in isolated parts of the Congo, would inevitably remain unaccounted for.

5. The Prime Minister said that the Ministers primarily concerned had now completed, under his chairmanship, an initial review of our defence and oversea commitments, which had been directed to considering both our global defence policy in the longer

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*Previously recorded as a Confidential Annex.
term and the more immediate issue of the proposals which we might put forward, during the forthcoming discussions in Washington, for reinforcing the interdependence of the member countries of the North Atlantic Alliance in relation to nuclear weapons.

The United Kingdom was attempting to discharge three major defence roles—a commitment to the defence of Europe under the North Atlantic Treaty Organisation (NATO); the role of a nuclear power, which the Government had inherited from their predecessors; and the maintenance of a world-wide military presence, based on our overseas commitments. The resultant burden on our economy made it impossible for us to sustain all three roles indefinitely; and it would be necessary for the Cabinet to consider on a subsequent occasion, when more detailed proposals had been formulated for the purpose, both a revision of the scale of our overseas commitments and the possibility of effecting corresponding reductions in the relevant weapons systems, particularly certain very costly aviation projects. The scope for economies would be conditioned partly by the fact that it was desirable, both in principle and as a means of maintaining the Commonwealth connection, that we should continue to play a significant military role in the Mediterranean and east of Suez and partly by the fact that we might nevertheless be unable, for local political reasons, to retain indefinitely the overseas bases on which our ability to discharge that role at present depended.

For these reasons it would be necessary to make it clear to the United States Government, at the outset of the forthcoming discussions in Washington, that we should henceforward be compelled to relate our defence expenditure more closely to our resources. As regards the European theatre we should not be able to ignore the momentum which the scheme for a mixed-manned surface fleet had now acquired. But this scheme, inasmuch as it would increase the nuclear potential at the disposal of NATO, was strategically unnecessary and economically unwelcome. We must therefore continue to oppose it; but we should do so more effectively by putting forward constructive alternative proposals, which would be directed to the same end as the mixed-manned surface fleet, i.e., the containment of the aspirations of the non-nuclear members of NATO, but would seek to achieve this end without any increase in the nuclear armament of the Alliance. For this purpose we should propose the creation of an Atlantic Nuclear Force (A.N.F.), to which we would commit irrevocably, so long as NATO existed, our V-bomber force assigned to Europe and such Polaris submarines as we might construct. The precise number of these submarines would be for further consideration; but it was relevant to a decision that the construction of some of them was already sufficiently advanced to make it unrealistic to cancel the orders. On the other hand the number to be retained would be smaller than the number which the previous Government had envisaged and would be such as to make it clear that we no longer contemplated the maintenance of an independent nuclear force. We should look to the United States Government to commit an equivalent number of submarines to the proposed A.N.F.
In addition the force might include a mixed-manned component, to which the non-nuclear Powers could contribute; this might be constituted by the mixed-manning of V-bomber squadrons and land-based missiles.

The control of the A.N.F. would raise difficult problems; but it would be essential to make it clear that it would operate in close co-operation with the command system of NATO and that both the United States and the United Kingdom Governments would possess a veto not only on its use but also on any change in the method of control. It seemed unlikely that the French Government would participate in the project at the outset; but it would be desirable to leave the way open for them to do so later.

Although the fact that one element in the force would be contributed by the United Kingdom and that we should retain a veto on its use would imply that the non-nuclear Powers would still not obtain precise equality with us, our surrender of our right to independent nuclear action should go far to meet their susceptibilities; and we might hope to obtain, in return, general agreement to a new initiative for a relaxation of East-West tension. We must also use such bargaining power as our proposal afforded us to dispose of the existing project for a mixed-manned surface fleet. Initially, we should continue to oppose the creation of such a fleet at all. We might find it impossible to sustain that position; but, if so, the Cabinet would have to consider the nature and extent of any contribution which we might have to make to the fleet.

We must also seek, as part of our new initiative, to obtain fresh undertakings not only by the nuclear Powers not to disseminate nuclear weapons but also by the non-nuclear Powers not to acquire such weapons; and we must try progressively to extend the scope of these undertakings.

Finally, we must endeavour, through the A.N.F., to ensure that we and the other members of NATO would be brought into closer consultation on the use of United States nuclear weapons not only within the NATO area but also elsewhere in the world.

The Foreign Secretary said that it would be one of the main political objectives of the discussions to prevent a nuclear alliance between the United States and Western Germany and to keep the way open for a subsequent French Government to join the force. We should have to bear in mind in this connection the German reaction to the recent speech by General de Gaulle at Strasbourg. This had caused some division of opinion within the German Government but had also, for that reason, made them less insistent on an early decision on the proposals for a mixed-manned surface fleet.

The Secretary of State for Defence said that, whereas the proposals for a mixed-manned surface fleet involved the diversion of men and money to the creation of an additional and unnecessary nuclear force, our own project for an A.N.F. was directed to solving the political problem in Europe by establishing joint control of nuclear weapons which already existed. This would require a readiness on our part to commit to the new force both our V-bomber force, which would be operational until about 1970, and the Polaris submarines.
which would be operational until about the end of the 1970s. It would be impracticable to look further at present. In return for this contribution we should seek some reduction in the extent of our commitment to ground defence in NATO, together with a measure of assistance in our main role of peace-keeping overseas. As regards the number of Polaris submarines to be constructed, two were already relatively far advanced, while contracts for another two had been placed and work on the prefabrication of essential parts had been taken a considerable way. No contract had yet been placed for the fifth submarine; but work on the so-called “long lead” items had started. The necessary steps were being taken to ensure that we should not be faced with further unnecessary expenditure on this vessel.

In discussion there was general agreement with the proposals put forward by the Prime Minister as the basis on which negotiations in Washington should begin. The following main points were made:

(a) The commitment of our nuclear forces to the A.N.F. would imply that the French Government would enjoy a degree of independent control over their force de frappe which we should have surrendered in relation to our own deterrent. There was considerable doubt, however, whether the force de frappe would in fact constitute a credible independent deterrent by the time it became operational.

(b) The Chiefs of Staff had endorsed the A.N.F. project in principle from the military point of view.

(c) The size of the reduction to be made in the programme of Polaris submarines could be determined only in the light of a further detailed examination of the requirement, with due allowance for a margin of insurance against accidental damage to one of the vessels. It would also be for consideration, in the light of the negotiations in connection with the A.N.F., how far we should continue research and development in relation to nuclear weapons.

The Cabinet—

(1) Took note, with approval, of the Prime Minister’s statement about the project for the creation of an Atlantic Nuclear Force.

(2) Agreed that the proposals outlined in discussion should be put forward on behalf of the United Kingdom Government at the forthcoming discussions with the United States Government in Washington.

6. The Cabinet considered a memorandum by the Lord President of the Council (C. (64) 17) on the pensions of Ministers and Members of Parliament and other related matters.

The Lord President recalled that the Cabinet had invited him to arrange for a Committee of Ministers under his chairmanship to examine the contributory pension scheme for Members of Parliament recommended by the Lawrence Committee, the position of Ministers in the House of Lords in relation to the daily attendance allowance
and the payment of a salary to the Leader of the Opposition and the Opposition Chief Whip in the House of Lords. The Committee's recommendations on these matters were as follows:

**Contributory pension scheme**

The Committee considered that the recommendations of the Lawrence Committee should be accepted as a whole and without alteration, notwithstanding that they were more generous than the provisions of other public service pension schemes in that they envisaged no abatement in respect of National Insurance benefits and that widows would be entitled to half the husband's pension instead of one-third, at the expense, as to half, of the Exchequer instead of wholly at that of the contributor. The Committee considered that the risk of repercussions on other public service pension schemes should be accepted in view of the overriding advantage of transferring from Members of the House of Commons to an independent body the invidious responsibility for fixing the terms of the pensions scheme. On the same grounds is seemed desirable to prescribe the scheme fully in the necessary legislation, leaving only minor details for adjustment by Statutory Instrument. It would be necessary to consider whether the Members' Fund could properly be used to supplement the pension payable under the contributory scheme. There was no objection in principle to the Fund's making allowances to Members who for one reason or another failed to qualify for full pension under the scheme or to ensuring that Members whose expectations from the Fund were greater than from the scheme would not be penalised. But there were arguments against allowing the Fund to supplement the benefits normally available under the scheme to those who first became Members at the beginning of a Parliament. It would be desirable, however, for the trustees of the Fund to examine its future needs and scope when the scheme was in operation; and in the meantime the Bill should not be so drafted as to prohibit supplementation of benefits under the scheme.

**Ex officio pensions**

The Speaker had been consulted about the provision of a pension for himself and his widow and had expressed a preference that the pensions should be fixed at the time of his retirement and not in the forthcoming Bill. The Lord Chancellor's pension would be increased by half the amount recommended by the Lawrence Committee; and the Lord Chancellor's widow would continue to receive one-third of her husband's pension in return for the reduction by half of the lump sum to which he would be entitled on retirement. It was proposed that the practice of providing for the Lord Chancellor's salary and pension in a statute fixing judicial salaries should be continued. It could be argued that the pension for the widow of a Prime Minister, to be paid by the Exchequer, should be no more than that which she would have received under the scheme if her husband had contributed to it during the whole of his service in the House of Commons. On the other hand it might be more appropriate that it should be related, as was the pension of the widow of a Lord Chancellor, to the provision made for her husband.
It was proposed that all persons entitled to *ex officio* pensions should withdraw, on appointment, from the contributory scheme. It would be undesirable to extend the new pension rates to existing beneficiaries of *ex officio* pensions; but it would be possible in the forthcoming Bill to apply to them the provisions of the Pensions (Increase) Acts, which would have the effect of increasing their pensions by about 30 per cent.

*House of Lords*

It had been agreed that it would be impracticable to enable Ministers in the House of Lords to draw daily attendance allowances, since the allowances escaped taxation only on the basis that they were intended to reimburse expenses in connection with an office carrying no remuneration. Moreover, the Parliamentary salary payable to Ministers in the House of Commons was paid in recognition of their constituency expenses.

It was proposed that the Leader of the Opposition and the Opposition Chief Whip in the House of Lords should be paid £2,000 and £1,500 a year respectively.

*The Law Officers*

The salaries of the Law Officers had traditionally been paid under the authority of a Treasury Minute; but it would now be appropriate that they should be established by legislation.

In discussion the following main points were made:

(a) The Government might be criticised for enabling Members of Parliament to enjoy more advantageous pension rights than public servants generally; and there was a danger of repercussions not only in the public service but in the nationalised industries. On the other hand a public servant was normally entitled to retire on pension at the age of 60 and would also be better placed than a Member of Parliament in certain other respects. The balance of advantage appeared to lie in accepting the recommendations of the Lawrence Committee as a whole, as though they were in the nature of an arbitration award.

(b) The exceptional demands which the Prime Minister's duties imposed on him and his wife were sufficient to justify a more generous pension for his widow than the scale appropriate to the widow of a Member of Parliament.

(c) While it had proved impracticable to enable Ministers in the House of Lords to continue to draw the attendance allowance, it should be recognised that this would leave them less well off than some of their Ministerial colleagues in the House of Commons.

(d) It would not be possible to arrange for the Bill giving effect to the recommendations of the Lawrence Committee to receive its Second Reading until 18th December; but this would be sufficient to enable the Fees Office to pay arrears of salary at the end of December. It appeared that this arrangement would be generally acceptable to Members.
and the payment of a salary to the Leader of the Opposition and the Opposition Chief Whip in the House of Lords. The Committee's recommendations on these matters were as follows:

**Contributory pension scheme**

The Committee considered that the recommendations of the Lawrence Committee should be accepted as a whole and without alteration, notwithstanding that they were more generous than the provisions of other public service pension schemes in that they envisaged no abatement in respect of National Insurance benefits and that widows would be entitled to half the husband's pension instead of one-third, at the expense, as to half, of the Exchequer instead of wholly at that of the contributor. The Committee considered that the risk of repercussions on other public service pension schemes should be accepted in view of the overriding advantage of transferring from Members of the House of Commons to an independent body the invidious responsibility for fixing the terms of the pensions scheme. On the same grounds it seemed desirable to prescribe the scheme fully in the necessary legislation, leaving only minor details for adjustment by Statutory Instrument. It would be necessary to consider whether the Members' Fund could properly be used to supplement the pension payable under the contributory scheme. There was no objection in principle to the Fund's making allowances to Members who for one reason or another failed to qualify for full pension under the scheme or to ensuring that Members whose expectations from the Fund were greater than from the scheme would not be penalised. But there were arguments against allowing the Fund to supplement the benefits normally available under the scheme to those who first became Members at the beginning of a Parliament. It would be desirable, however, for the trustees of the Fund to examine its future needs and scope when the scheme was in operation; and in the meantime the Bill should not be so drafted as to prohibit supplementation of benefits under the scheme.

**Ex officio pensions**

The Speaker had been consulted about the provision of a pension for himself and his widow and had expressed a preference that the pensions should be fixed at the time of his retirement and not in the forthcoming Bill. The Lord Chancellor's pension would be increased by half the amount recommended by the Lawrence Committee; and the Lord Chancellor's widow would continue to receive one-third of her husband's pension in return for the reduction by half of the lump sum to which he would be entitled on retirement. It was proposed that the practice of providing for the Lord Chancellor's salary and pension in a statute fixing judicial salaries should be continued. It could be argued that the pension for the widow of a Prime Minister, to be paid by the Exchequer, should be no more than that which she would have received under the scheme if her husband had contributed to it during the whole of his service in the House of Commons. On the other hand it might be more appropriate that it should be related, as was the pension of the widow of a Lord Chancellor, to the provision made for her husband.
It was proposed that all persons entitled to *ex officio* pensions should withdraw, on appointment, from the contributory scheme. It would be undesirable to extend the new pension rates to existing beneficiaries of *ex officio* pensions; but it would be possible in the forthcoming Bill to apply to them the provisions of the Pensions (Increase) Acts, which would have the effect of increasing their pensions by about 30 per cent.

House of Lords

It had been agreed that it would be impracticable to enable Ministers in the House of Lords to draw daily attendance allowances, since the allowances escaped taxation only on the basis that they were intended to reimburse expenses in connection with an office carrying no remuneration. Moreover, the Parliamentary salary payable to Ministers in the House of Commons was paid in recognition of their constituency expenses.

It was proposed that the Leader of the Opposition and the Opposition Chief Whip in the House of Lords should be paid £2,000 and £1,500 a year respectively.

The Law Officers

The salaries of the Law Officers had traditionally been paid under the authority of a Treasury Minute; but it would now be appropriate that they should be established by legislation.

In discussion the following main points were made:

(a) The Government might be criticised for enabling Members of Parliament to enjoy more advantageous pension rights than public servants generally; and there was a danger of repercussions not only in the public service but in the nationalised industries. On the other hand a public servant was normally entitled to retire on pension at the age of 60 and would also be better placed than a Member of Parliament in certain other respects. The balance of advantage appeared to lie in accepting the recommendations of the Lawrence Committee as a whole, as though they were in the nature of an arbitration award.

(b) The exceptional demands which the Prime Minister’s duties imposed on him and his wife were sufficient to justify a more generous pension for his widow than the scale appropriate to the widow of a Member of Parliament.

(c) While it had proved impracticable to enable Ministers in the House of Lords to continue to draw the attendance allowance, it should be recognised that this would leave them less well off than some of their Ministerial colleagues in the House of Commons.

(d) It would not be possible to arrange for the Bill giving effect to the recommendations of the Lawrence Committee to receive its Second Reading until 18th December; but this would be sufficient to enable the Fees Office to pay arrears of salary at the end of December. It appeared that this arrangement would be generally acceptable to Members.
The Prime Minister, summing up the discussion, said that the Government approved the proposals in C. (64) 17 and agreed that the legislation giving effect to them should apply the Pensions (Increase) Acts to the beneficiaries of existing *ex officio* pensions. The Lord President and the Chief Secretary, Treasury, should give further consideration to the provision to be made for the widow of a Prime Minister and to any other matters which might arise for decision in the course of the preparation of the Bill.

The Cabinet—

(1) Subject to Conclusion (2) below, approved the proposals in C. (64) 17.

(2) Agreed that the Pensions (Increase) Acts should be applied to the existing beneficiaries of *ex officio* pensions.

(3) Invited the Lord President, in consultation with the Chief Secretary, Treasury, to give further consideration to the provision to be made for the widow and dependants of a Prime Minister and to dispose of matters of detail arising in the course of the preparation of the Bill on the salaries and pensions of Ministers and Members of Parliament.

7. The Cabinet considered a memorandum by the Lord President of the Council (C. (64) 20) on the question whether legislation should be introduced to enable the Greater London Council (G.L.C.) to exercise certain of the functions of a children's authority.

The Lord President said that a firm undertaking had been given during the Third Reading of the London Government Bill that the Labour Party, if they attained office, would prevent the fragmentation of the social services maintained by the London County Council (L.C.C.); and in July 1964 the present Joint Parliamentary Secretary, Ministry of Land and Natural Resources, as chairman of the Labour Party Local Government Committee, had given a further assurance that it would be the intention of a Labour Government to confer certain functions, which required administration over a wider area, on an authority other than the London boroughs. In accordance with that undertaking it was now proposed that responsibility should be placed on the G.L.C. for approved schools; for remand homes, large children's homes and specialised children's homes now administered by the L.C.C. and the Middlesex County Council; for staff training, statistics and research, the prescription of parental contributions and boarding out allowances; and for general supervision over the provision by the boroughs of residential accommodation for children, with concurrent powers to provide specialised accommodation. The individual boroughs would continue to be responsible for preventive work in relation to the family, for receiving children into care and boarding them out and for the administration of small children's homes for their own use. Although these proposals were defensible on merits, they were undeniably a compromise which fell short of the
Labour Party’s original intentions. Moreover, since they were neither simple nor uncontroversial, they would be likely to expose the Government both to political criticism and to the risk of Parliamentary obstruction designed to impede the progress of other Government legislation. Time could be found for this Bill only at the cost of abandoning one of the Government’s other urgent measures; and, even so, there was no guarantee that the Bill could be passed in time to enable the G.L.C. to recruit the necessary staff and to be vested with the transferred properties before 1st April, 1965, when, in the absence of legislation, the London boroughs would resume responsibility for the full range of institutions and services in their areas.

If it were decided not to proceed with the Bill, it would be necessary to admit that it was not possible at this stage to preserve the L.C.C. Children’s Service as an entity in view of the steps already taken by the London boroughs to assume their responsibilities; that the Government had considered whether, short of this, it would be practicable to confer on the G.L.C. certain responsibilities over the Greater London area as a whole; that, in the light of the Government’s other urgent commitments, it was not possible to take the necessary action for this purpose in the time available; but that the Government would review the working of the London Government Act in due course and would not rule out the possibility of amending the arrangements for the children’s service if they proved to be unsatisfactory. It must be recognised, however, that this undertaking would be largely illusory, since it would be difficult at a later date to deprive the boroughs of functions which they had become accustomed to exercising.

The Home Secretary said that, before the drafting of legislation could be completed, it would be necessary to have discussions with the local authorities concerned on the nature and scope of the functions to be transferred to the G.L.C. and on the difficult questions of rating and finance which would be involved. Such discussions could hardly take place at less than two weeks’ notice; and on this basis it would not be possible to introduce a Bill before the Christmas Recess. In these circumstances it was doubtful whether there would be sufficient time after the passage of the Bill for the G.L.C. to recruit the necessary staff and for the Council and the boroughs to revise the plans which had already been made for the administration of the institutions and services for which it was now proposed that the G.L.C. should assume responsibility.

In discussion it was pointed out that the common services which it was proposed that the G.L.C. should administer were all that could now be preserved of the L.C.C. Children’s Service. But this element at least should be safeguarded in fulfilment of the pledges which the Government had given while in Opposition and in the best interests of the children concerned. There was no doubt that the Labour members of the G.L.C. and most of the Labour members of the borough councils were strongly in favour of this course. On the
other hand the boroughs had already made arrangements for the administration of the homes which would have to be shared among them and had made the necessary appointments of staff. It was known that the Children's Officers of the boroughs considered that matters had gone too far to make it feasible to retain services over a wider area; and it was possible that, by the time the Bill was debated in the House of Commons, the boroughs themselves would be reluctant to lose the functions which they had for some months been organising themselves to discharge. Moreover, to alter the arrangements only a matter of weeks before 1st April, 1965, might put both the G.L.C. and the boroughs in considerable difficulty, even if the Government's intentions were made clear in advance; and this consideration in conjunction with the difficulty of securing the passage of the Bill in the time available, might tip the balance of advantage against proceeding with the proposals. If, however, the Bill were introduced in January, it appeared inescapable that another Bill already in the programme would have to be abandoned; and, since there could be no certainty that the Opposition would facilitate the passage of legislation to give effect to the proposals under consideration, the Bill to be sacrificed might need to be one of the Government's major measures.

The Prime Minister, summing up the discussion, said that, while the Cabinet considered the proposed Bill desirable on merits, they could not reach a final decision on its inclusion in the legislative programme until they knew which of the Bills at present in the programme would have to be abandoned if this Bill were introduced.

The Cabinet—
Invited the Lord President of the Council to arrange for the future Legislation Committee to consider which Bill or Bills would have to be excluded from the legislative programme for 1964–65 if the proposed Bill on the Children's Service in Greater London were introduced in January; and to report to the Cabinet at an early meeting.

Cabinet Office, S.W.1,
26th November, 1964.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 1st December, 1964, at 11 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for Foreign Affairs
The Right Hon. PATRICK GORDON WALKER, Secretary of State for Foreign Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Scotland
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. HERBERT BOWDEN, Lord Chancellor
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Scotland
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. DOUGLAS HUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development
The Right Hon. THOMAS ROSS, M.P., Secretary of State for Wales
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. DOUGLAS HUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The following were also present:
Mr. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Item 2)
Mr. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Miss J. J. NUNN

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Contdents

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1. The Foreign Secretary said that, although the recent rescue operation organised by the United States and Belgian Governments had undoubtedly saved the lives of many Europeans, Africans and Asians in the Congo, the situation remained precarious. The forces of the Congolese Government were not sufficiently numerous to occupy effectively the country through which they were advancing; and an unknown number of Europeans must still be in considerable jeopardy. There was no possibility, however, of arranging a second rescue operation, particularly since many African Governments had been sharply critical of the earlier operation of this kind and any attempt to repeat it might therefore merely endanger the lives of Europeans elsewhere in Africa.

In discussion there was general agreement that this situation resulted largely from the withdrawal of the United Nations peace-keeping force, which had itself been due to the failure of the members of the United Nations to agree on its continued financing. There appeared to be no prospect of reinstating any United Nations military presence in the Congo; but it was for consideration whether we should attempt to promote some kind of conciliation procedure in order to stabilise the situation. In particular, it would be desirable to let it be publicly known that we should welcome any proposal by the Secretary-General of the United Nations to appoint a mediator in the dispute and that we also looked with favour on the recent suggestion by the Organisation for African Unity to despatch a mission to the Congo in order to establish the facts about the causes of the civil war and to explore the basis of a possible solution.

The Cabinet—

Took note that the Foreign Secretary would arrange for the Government's attitude towards the developments in the Congo to be made publicly known on the lines indicated in their discussion and for the Opposition to be appropriately informed.

2. The Cabinet had before them memoranda by the Minister of Housing and Local Government (C. (64) 21) and by the Chief Secretary, Treasury (C. (64) 22), about the general grant to local authorities.

The Minister of Housing and Local Government said that the general grant period ran for a minimum of two years at a time. The new period would begin in April 1965; and, if local authorities were to be informed of the grants which they would receive in time for them to take this allocation into account in fixing rate demands for the same period, the necessary Order would have to be approved by the House of Commons before Christmas. The estimates by local authorities of the probable expenditure during each year on the services involved had been reduced by Departments, in agreement with the Treasury, to amounts which might be regarded as realistic.
in the light of the policies which the Government had inherited from the previous Administration. This involved a reduction of £17 million in expenditure for the first year and of £20 million for the second year. The reduction in the first year was acceptable; but in the second year it would imply an increase in the burden on the rates and would therefore be contrary to the declared policy of the Government, which contemplated a progressive transfer of expenditure from rates to taxes. It would be impracticable to legislate for a general reduction of the burden on rates or for a change in the education grant system until the following Session; and this would not affect the rates until 1967-68. It would be possible to seek statutory power to change the grant system to an annual basis and to calculate the grant for 1966-67 afresh next year; and this possibility might be further explored. The only immediate course of action open to the Government, however, was to make the necessary Order on the basis of the estimates for 1966-67 submitted by the local authorities, thus allowing them a margin of £20 million to allow for the development of services. On this basis the Exchequer grant for that year would be increased by £11 million or £12 million.

The Chief Secretary, Treasury, said that this proposal raised an important issue of priorities in public expenditure. When the Government took office the forward estimates for the relevant expenditure of local authorities involved an increase of 5½ per cent a year. Those estimates were based on an increase of 4 per cent a year in the Gross National Product (G.N.P.) and, even so, could only have been financed by increases in taxation. It was clear, however, that the Government could not rely with certainty on an increase of 4 per cent in the G.N.P. in each of the next two years. Nevertheless, the estimates of local authority expenditure agreed with the Departments concerned envisaged an increase of 6-7 per cent in the first year and 5-6 per cent in the second. The proposal of the Minister of Housing and Local Government would now raise expenditure in the second year by no less than 7-3 per cent. It followed that, until the general level and the priorities of public expenditure had been determined, it would be improvident to permit an additional £20 million of expenditure in respect of the services in question for 1966-67, unless the Ministers concerned were prepared to guarantee that compensating savings would be provided in respect of other services for which they were responsible.

In discussion the following main points were made:

(a) The restraint imposed by the two-year grant system on the Government's freedom of action as far ahead as 1966-67 was embarrassing at this early stage in the life of the Government, when there had not yet been an opportunity to carry out the enquiries which were an essential preliminary to the determination of priorities in public expenditure. From this point of view there might be advantage in seeking statutory authority to introduce an annual basis for the grant system. On the other hand the system had hitherto operated reasonably well and to the satisfaction of the local authorities; and the reductions made by Departments in the estimates

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of expenditure submitted by the local authorities had been shown by experience to be broadly justified. Moreover, the present system restricted the Government's freedom of action only in respect of grants for existing services. If new responsibilities were laid upon local authorities by legislation, the statutes could also provide for further Exchequer grants to meet the appropriate part of the additional expenditure involved.

(b) It could be argued that the proposal of the Minister of Housing and Local Government would not involve any increase in public sector expenditure but would imply only an adjustment in the proportion of this expenditure borne respectively by the Exchequer and by the rates. On the other hand the proposal would permit the local authorities to increase their expenditure to a level which was higher than the economy could reasonably be expected to sustain without either compensating economies or an increase in taxation.

The Prime Minister, summing up the discussion, said that the issues involved should be further clarified by discussion in the Public Sector Programmes Committee and should thereafter be submitted afresh to the Cabinet as a matter of urgency.

The Cabinet—

(1) Invited the Chancellor of the Exchequer to arrange for the issues raised by C. (64) 21 and 22 to be further considered by the Public Sector Programmes Committee as rapidly as possible.

(2) Agreed to resume their discussion at a subsequent meeting.

3. The Lord President recalled that the Cabinet had invited the Future Legislation Committee to consider which Bill or Bills would have to be excluded from the legislative programme for 1964-65 if the proposed Bill conferring certain of the functions of a children's authority on the G.L.C. were introduced in January. The Future Legislation Committee had not found it possible at this stage to suggest which Bills at present in the programme the Government would be unlikely to be able to proceed with, since this would depend on when the major Bills—those on Iron and Steel, Rent, Land Commission and Severance Payments—were ready for introduction. There was a risk that any one of these four would have to be deferred if it came forward late, since otherwise more Bills would reach the House of Lords in June and July than the Government could expect to see passed. If, however, the Bill on the children's service in Greater London could be ready for consideration by the Legislation Committee not later than 19th January and was not then expected to attract substantial opposition, it should be possible to find time for it in the House of Commons. If, on the other hand, it was not ready until later, it would not only impede the progress of major
Bills but also be unlikely to be enacted in time to become effective before the London boroughs assumed the whole range of children's authority functions on 1st April, 1965.

In discussion it was pointed out that, before a draft Bill could be produced, it would be necessary to consult the local authorities concerned. But to consult them otherwise than on the basis of a firm undertaking to legislate would be likely to make them uncertain about the wisdom of continuing to prepare plans for the operation of the children's service on the basis that the boroughs would be responsible for the whole range of children's authority functions. On the other hand no firm decision to legislate could be taken until the extent to which the boroughs would support the proposals could be determined. The Members of Parliament who sat for London constituencies did not appear to be strongly in favour of legislation at this point; and there was a risk that the Bill might appear to the House of Commons to be based on political considerations which took inadequate account of the difficulty of making new arrangements at so late a stage. It would also have to be borne in mind that the necessity to pass the Bill by the middle of March at the latest would leave little time for its consideration in the House of Lords, where it might well encounter opposition.

The Prime Minister, summing up the discussion, said that the Cabinet were disposed to agree to the introduction of the proposed Bill, provided that, in the light of the Home Secretary's consultations with the local authorities concerned, it did not appear likely to excite substantial opposition. The consultations should therefore take place on the basis that the Government were considering whether to legislate and wished to be informed of the authorities' views before reaching a decision. The matter should be submitted to the Cabinet afresh as soon as the consultations were completed.

The Cabinet—

Invited the Home Secretary to consult the local authorities concerned, on the basis indicated in the Prime Minister's summing up of their discussion, about the proposal to confer certain child-care functions on the Greater London Council and to report the result to the Cabinet as rapidly as possible.

Cabinet Office, S.W.1,
1st December, 1964.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 3rd December, 1964, at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations (Item 4)
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. PATRICK GORDON WALKER, Secretary of State for Foreign Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. Sir FRANK SOSKICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. THE EARL OF LONGBOROUGH, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. FRANK COUSINS, Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power

The following were also present:
The Right Hon. CHARLES PANNELL, M.P., Minister of Public Building and Works (Item 4)
Mr. CLEDWYN HUGHES, M.P., Minister of State, Commonwealth Relations Office (Items 1-3)
The Right Hon. Gordon Stott, Q.C., Lord Advocate (Item 3)
Mr. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Item 3)
The Right Hon. Sir ELWYN JONES, Q.C., M.P., Attorney-General (Item 3)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. A. A. JARRATT
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Foreign Secretary informed the Cabinet that the situation in the Congo showed slight signs of improvement. Although the forces of the Congolese Government were still unable to establish a firm hold on the territory through which they were advancing, they had rescued a further 140 hostages held by the rebels and might well save others. The Belgian Prime Minister, M. Spaak, with whom he had recently discussed the problem of the Congo, had agreed with our view that some kind of political initiative should be organised in order to stabilise the situation and that this might well take the form of an attempt to arrange for representatives of the United Nations and the Organisation for African Unity to be despatched to the Congo in order to attempt to organise local armistices, which might facilitate the adoption of more general conciliation procedures. We should also recognise that, while the Prime Minister of the Congo, M. Tshombe, was disliked and distrusted by other African Governments, no other politician in the Congo at the present time commanded a similar degree of popular support; and we should therefore endeavour to persuade him not to press his attempt to end the civil war by force but to concentrate on establishing a system of administration by consent over the greater part of the country. At the same time we should seek to avoid becoming involved too deeply in the internal affairs of the Congo in view of the very heavy demands for aid which would probably arise during the subsequent period of reconstruction.

The Foreign Secretary said that he had ascertained from M. Spaak that the Belgian Government would be broadly in sympathy with the proposals for the reorganisation of the Atlantic Alliance which the Prime Minister intended to discuss with the President of the United States during his forthcoming visit to Washington. At the same time M. Spaak had left us in no doubt about the extent to which, in his opinion, the other European members of the Alliance were becoming subservient to the personal dominance of General de Gaulle, whose attitude was increasingly determined by antipathy to the United States.

The Foreign Secretary said that the new Government of the Sudan, by suspending our right to overfly Sudanese territory, had placed us in a position of considerable difficulty in relation to the reinforcement of our positions in the Middle East and the Far East. As a means of bringing pressure to bear upon them to negotiate a more reasonable settlement we should slow down the provision of aid to the Sudan and should also try to enlist the support of other Governments, particularly the Government of India, whose interests would be liable to be especially jeopardised if we were permanently deprived of the use of the direct reinforcement route to the Far East which our right to overfly the Sudan had hitherto provided.
3. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C.64.23) on claims against the Crown arising from damage caused to properties and installations during the war in Burma.

The Chief Secretary, Treasury, said that there were several outstanding claims against the Crown, particularly by subsidiaries of the Burmah Oil Company, for compensation for properties and installations destroyed by the Crown in order to deny their use to the enemy during the Japanese advance in Burma in 1942. Cases had been brought by the subsidiaries of the Burmah Oil Company in the Scottish courts with a view to establishing, in the first instance, whether there was a legal basis for claims for damages. The first judgment had favoured the claimants; the Appeal Court had reversed the decision; but recently the House of Lords had reinstated the first judgment on the grounds that damage suffered as a result of acts committed under the Prerogative might in certain circumstances be the subject of claims for compensation in the courts. As a result the way was now clear, in accordance with Scottish law, for the subsidiaries of the Burmah Oil Company to pursue the substance of their claims by seeking to establish the facts which, in their view, entitled them to compensation. Although the decision of the House of Lords was theoretically limited to Scottish law, there might be far reaching implications in English law as well, since the House of Lords had said (obiter) that English law should be interpreted in the same sense. Thus, whereas it had been believed hitherto that only unlawful acts committed under the Prerogative could be the subject of claims for damages, it now appeared that some acts which were lawful at common law might give the persons affected a right to compensation which was in principle indistinguishable from the right to damages in respect of unlawful acts.

The claims of the subsidiaries of the Burmah Oil Company amounted to £31 million, together with interest; but, if allowance was made for further actions which were at present stayed, the total of all the claims involved was no less than £100 million. Successive Governments had made it abundantly clear to the claimants that they were not in any circumstances prepared to entertain their claims. In 1948 the then Government had made an ex gratia payment of £10 million to be distributed amongst those who had suffered loss in Burma, of which the subsidiaries of the Burmah Oil Company had received approximately £4½ million. It had been stated at the time that no further payments would be made. Moreover, in 1962, after proceedings had been started by the subsidiaries of the Burmah Oil Company, a warning had been addressed to all the companies concerned that, if they obtained favourable judgments in the courts, the Government would introduce legislation to indemnify the Crown retrospectively.

In the light of the judgment by the House of Lords there were now three possible courses of action: first, to give a renewed warning to the claimants in the hope of deterring them from further proceedings; second, to allow litigation to proceed in the hope that the ultimate award of damages would be so small that no payment...
beyond the amount already paid *ex gratia* would be necessary; third, to introduce retroactive legislation in order to defeat the claims of the companies concerned. The claimants had ignored one clear warning; and there seemed little chance that, having subsequently secured an initial success in litigation, they would be deterred by another warning. Nor was there any guarantee that the outcome of litigation would be favourable to the Government, having regard to the judgment of the House of Lords. The Legislation Committee had therefore recommended that the Government should make no further payments in respect of the claims involved and that retroactive legislation to annul them should be introduced.

In discussion there was general agreement with this recommendation. The latest information suggested that the claimants would be in a position to institute proceedings on the substance of their claims between May and July of 1965. The legislation which would retroactively debar the claims would therefore need to be introduced in the current Session; and, since the claimants would be obliged to expend considerable money and effort in preparing their case, there were strong arguments in favour of introducing the necessary Bill at the earliest possible date if the Government were not to be criticised not merely for promoting retroactive legislation but also for delaying its introduction and so putting the companies to fruitless trouble and expense. Moreover, there would be political advantage in legislating as rapidly as possible in pursuance of the warning given by the previous Administration. Any similar claims by interests other than the subsidiaries of the Burmah Oil Company would probably, by now, be time-barred under both English and Scottish law. But in any event they could not be dealt with in the proposed legislation except at the cost of considerable delay in its introduction; and it was to be hoped that the legislation in respect of the subsidiaries of the Burmah Oil Company would suffice to deter any other companies who might believe that they had corresponding claims from seeking to pursue them further. In view of the known attitude of previous Governments on the question it was unlikely that the legislation would give rise to difficulties with foreign Governments.

The Cabinet—

Approved the proposals in C. (64) 23.

4. The Cabinet considered a memorandum by the Lord President of the Council (C. (64) 24) about the 700th Anniversary of Parliament.

The Lord President said that he had discussed with the Ministers immediately concerned the arrangements which might be made to celebrate the 700th anniversary of the Parliament summoned by Simon de Montfort on 20th January, 1265. It was suggested that the occasion might be marked by some simple parliamentary ceremony, either on the day itself if Parliament were sitting or, if not, as soon
as possible thereafter. The day might also be celebrated in schools; and a special commemorative postage stamp might subsequently be issued. More extensive celebrations might be held later in the year to coincide with those already planned for June 1965 to mark the 750th Anniversary of Magna Carta. These might appropriately follow the pattern of the arrangements made during the 46th Inter-Parliamentary Conference in 1957; and, if so, they would probably entail expenditure of the order of £10,000–£15,000. Since the occasion would be mainly parliamentary in character, the general supervision of the arrangements should be undertaken by a parliamentary committee under the chairmanship of the Speaker. The Minister of Public Building and Works should be responsible for the detailed planning, in consultation with his colleagues and with outside organisation.

The Commonwealth Secretary said that he hoped shortly to circulate to the Cabinet proposals for the creation of some form of Commonwealth consultative assembly, analogous to a Commonwealth Parliament; and, if this project matured, the initial meeting of the new body might be linked in some way with the proposed celebrations.

In discussion there was general agreement with the proposals in C. (64) 24. Although it might be maintained that the anniversary of the Simon de Montfort Parliament was of interest primarily to this country, it would nevertheless be appropriate that other members of the Commonwealth, whose Parliaments derived from our own, should be associated with the ceremonies in January. The Speakers of Commonwealth Parliaments might therefore be invited to be present; and the occasion might provide a convenient opportunity to arrange for them subsequently to meet under the chairmanship of the Speaker of the House of Commons in order to discuss matters of common interest. The High Commissioners of other Commonwealth countries might also be invited to attend the ceremony in January. The celebration of the anniversary of Magna Carta in June would command wider international interest; and arrangements should therefore be made to associate the other members of the Commonwealth, and possibly the United States, with the festivities. If a Meeting of Commonwealth Prime Ministers were held in 1965, there might be advantage in arranging it at about the same time. It would also be for consideration what part should be played by the Commonwealth Parliamentary Association in relation to the ceremonies both in January and in June.

In further discussion the following main points were made:

(a) It would be appropriate that the Hansard Society should be associated with the celebrations; and consideration should be given to providing them with financial assistance from the Exchequer for the purpose.

(b) A Committee under the chairmanship of the Master of the Rolls had already made certain arrangements to commemorate the anniversary of Magna Carta. The Government's own proposals would need to be co-ordinated with these arrangements.
The Cabinet—
(1) Approved C. (64) 24.
(2) Invited the Chief Secretary, Treasury, in consultation with the Chancellor of the Duchy of Lancaster, to consider whether a grant might be made to the Hansard Society in connection with the celebrations, in 1965, of the anniversaries of the Simon de Montfort Parliament and Magna Carta.
(3) Invited the Lord President, in consultation with the Commonwealth Secretary and the Speaker of the House of Commons, to give further consideration to the other suggestions which had been made during their discussion.

Cabinet Office, S.W.1,
as possible thereafter. The day might also be celebrated in schools; and a special commemorative postage stamp might subsequently be issued. More extensive celebrations might be held later in the year to coincide with those already planned for June 1965 to mark the 750th Anniversary of Magna Carta. These might appropriately follow the pattern of the arrangements made during the 46th Inter-Parliamentary Conference in 1957; and, if so, they would probably entail expenditure of the order of £10,000–£15,000. Since the occasion would be mainly parliamentary in character, the general supervision of the arrangements should be undertaken by a parliamentary committee under the chairmanship of the Speaker. The Minister of Public Building and Works should be responsible for the detailed planning, in consultation with his colleagues and with outside organisation.

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In discussion there was general agreement with the proposals in C. (64) 24. Although it might be maintained that the anniversary of the Simon de Montfort Parliament was of interest primarily to this country, it would nevertheless be appropriate that other members of the Commonwealth, whose Parliaments derived from our own, should be associated with the ceremonies in January. The Speakers of Commonwealth Parliaments might therefore be invited to be present; and the occasion might provide a convenient opportunity to arrange for them subsequently to meet under the chairmanship of the Speaker of the House of Commons in order to discuss matters of common interest. The High Commissioners of other Commonwealth countries might also be invited to attend the ceremony in January. The celebration of the anniversary of Magna Carta in June would command wider international interest; and arrangements should therefore be made to associate the other members of the Commonwealth, and possibly the United States, with the festivities. If a Meeting of Commonwealth Prime Ministers were held in 1965, there might be advantage in arranging it at about the same time. It would also be for consideration what part should be played by the Commonwealth Parliamentary Association in relation to the ceremonies both in January and in June.

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(b) A Committee under the chairmanship of the Master of the Rolls had already made certain arrangements to commemorate the anniversary of Magna Carta. The Government's own proposals would need to be co-ordinated with these arrangements.
The Cabinet—

(1) Approved C. (64) 24.

(2) Invited the Chief Secretary, Treasury, in consultation with the Chancellor of the Duchy of Lancaster, to consider whether a grant might be made to the Hansard Society in connection with the celebrations, in 1965, of the anniversaries of the Simon de Montfort Parliamnet and Magna Carta.

(3) Invited the Lord President, in consultation with the Commonwealth Secretary and the Speaker of the House of Commons, to give further consideration to the other suggestions which had been made during their discussion.

Cabinet Office, S.W.1.

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Friday, 11th December, 1964, at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Scotland
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies (Items 1 and 3)
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Overseas Development

Also present:
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. D. S. LASKEY

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1. The Colonial Secretary said that the primary purpose of his visit to Aden had been to create a favourable political climate rather than to discuss our military base, which had played only a subsidiary part in his discussions. He had therefore visited various parts of the Federation and had met leading personalities both in the Federal States and in Aden, including leaders of the political parties and trade unions and some of the individuals at present held in detention. He had reaffirmed that our policy was directed towards the establishment of a fully independent Arab State by 1968 at the latest and that, within the limits of our resources, we would continue to provide aid in order to promote stability and prosperity in the area. He had encouraged discussions between the Adeni and Federal Governments; and at the end of his visit they had issued a joint declaration looking to the creation of a unitary State on a democratic basis. He had welcomed this declaration and had undertaken that, in preparation for a new constitutional conference to be held at the beginning of March, we would assist the two Governments in studying the further problems which would need to be examined before a unitary State could be brought into being, particularly the necessary provisions guaranteeing human rights.

The Cabinet—

Took note, with approval, of the statement by the Colonial Secretary.

2. The Prime Minister informed the Cabinet of the outcome of the discussions which, together with the Foreign Secretary and the Secretary of State for Defence, he had conducted with the President of the United States, President Johnson, and other members of the United States Administration during his visit to Washington earlier in the week.

The visit had been conducted in a very cordial atmosphere; and there had been no attempt on the part of the United States Government to confront us with the need to take unacceptable decisions at short notice. As a result we had achieved our main purpose of making clear our basic policy on defence and of preparing the way for further and more detailed discussions.

President Johnson and his colleagues had been particularly insistent on the value of the world-wide military role played by the United Kingdom and on the importance of our continuing to discharge that role in collaboration with the other members of the Commonwealth whenever possible. They appreciated the burden which it imposed on our economy; and, since defence expenditure was imposing a similar strain on their own balance of payments, they had been particularly interested to be informed of the measures by which we hoped to reduce the cost of our defence programmes and
to transfer resources from military to civil use. President Johnson had indicated his political sympathy with the steps which we had already taken to rectify our balance of payments; he had welcomed the prospect of close collaboration between the United States and the United Kingdom on future economic policy; and he had willingly endorsed our suggestion that both countries might profit from a detailed examination of the possibilities of closer co-operation in defence research and development and in weapons production.

As regards the future nuclear role of the Atlantic Alliance there had been complete agreement on the objectives involved, namely, to satisfy the nuclear aspirations of the Federal German Republic, to prevent the further proliferation of national nuclear capabilities and to open the way for further initiatives towards disarmament. On the means to be adopted in order to realise these objectives, however, there remained some difference of view, at least in so far as the United States Government had not abandoned their advocacy of a mixed-manned surface fleet. On the other hand, they had shown a welcome degree of readiness to consider our own alternative concept of an Atlantic Nuclear Force (A.N.F.); and it should now be possible for this project to go forward for discussion in greater detail with the other members of the Alliance. The United States Government had admittedly indicated that any force of the kind which we had in mind should, in their view, comprise not only national contributions by both the United Kingdom and the United States but also a mixed-manned surface fleet element, to which the United Kingdom should contribute. We had made it clear that our position on this issue was wholly reserved. At the same time we had secured a very valuable recognition by the United States Government that there would be no question of their waiving their veto in relation to such a fleet, whether now or at any time in the future; and this vital assurance had been publicly reflected in the joint communique issued at the end of the discussions.

President Johnson had also shown a lively awareness of the risks of a proliferation of nuclear capabilities elsewhere than in Europe, particularly in India as a result of the recent detonation of a nuclear device by the Communist Government of China. He had therefore endorsed our tentative suggestion that it might be necessary, at some point in the future, to seek to establish, in relation to the Indian Ocean and the Far East, some kind of arrangement for nuclear interdependence corresponding to the concept which we were trying to promote in relation to Europe.

The United States Government had been anxious that we should make some positive contribution to their operations in Vietnam by way of a limited military presence on Vietnamese territory. In reply we had emphasised the heavy burden which we were already carrying in assisting the Government of Malaysia to resist Indonesian aggression and subversion; and we had also warned the United States Government of the potentially embarrassing situation which might arise if they took any action to force the issue in Vietnam and so compelled us to activate our role as co-Chairman of the 1954 Conference. We had therefore continued to resist their pressure for
a United Kingdom military presence in Vietnam and had merely undertaken to increase slightly the various types of support facility which we already provided in the form of training facilities for South Vietnamese troops, etc.

President Johnson had shown interest in our policy towards British Guiana in the light of the recent election which had resulted in the fall of Dr. Jagan's Government. We had therefore informed him, as we had already informed Dr. Jagan himself, that, regardless of the result of the election, we were not prepared to concede independence to the Colony until the racial communities had shown that they could live and work together in peace.

The discussions had ended with a communique which revealed a welcome measure of agreement on all the main issues concerned. In particular, its concluding reference to "continuing discussions at all levels, both within the Alliance and in wider international associations, in pursuit of nuclear and conventional disarmament and all measures to reduce world tension" should be of considerable political value to the Government in so far as it clearly implied that the United States Government recognised that our right to participate in all major international negotiations must be accepted on its merits and did not derive solely from our possession of an independent nuclear deterrent.

The Foreign Secretary said that future progress in negotiating a greater degree of interdependence within the North Atlantic Alliance might be eased by the fact that the United States Government were no longer as unanimously in favour of the concept of the mixed-manned surface fleet as they had been only a few months before; but it would still depend mainly on the reactions of the Federal German Government to our project for an A.N.F., in the form in which it had emerged from the Washington discussions. The German Government were themselves divided on the issues involved; and they were acutely aware that, if the French Government, in the person of General de Gaulle, sought to compel them to choose between some new and closer form of Atlantic nuclear interdependence and an independent Franco-German nuclear force, they might be exposed to serious political embarrassment in the months immediately preceding the forthcoming Federal election. They might well prefer, therefore, to evade this unpalatable choice; and in that event it might be possible to postpone a final decision on the form of an A.N.F. until the late autumn of 1965. Meanwhile, we should proceed to promote multilateral discussion of the issues involved by means of appropriate international negotiations in the near future; and it was satisfactory that the United States Government, although apparently still anxious to ensure than any A.N.F. would comprise a mixed-manned surface fleet element, had assured us that during these further negotiations they would be content to sponsor this concept on their own responsibility and would not seek to influence the Federal German Government to support it against their better judgment.

The Secretary of State for Defence said that his own discussions with the United States Secretary of Defense, Mr. McNamara, had
convinced him that the United States Government were genuinely prepared to explore, rapidly and in detail, the possibilities of closer co-operation with the United Kingdom in relation to defence research and development and weapons production; and, although measures for this purpose could not be expected to produce substantial economies in the near future, they should yield very significant savings in the longer term, particularly if they could be supplemented by arrangements for shared logistic support. Moreover, the United States Government had shown themselves not unsympathetic to our desire to reduce the level of our ground forces in Germany. They wished to achieve a similar economy themselves; and, although it was unlikely that the susceptibilities of the Federal German Government would allow either the United States or the United Kingdom to withdraw troops from German territory in the near future, this would remain the agreed objective of both Governments, which they would hope to pursue in the context of wider efforts to secure a relaxation of East-West tension by a progressive reduction in the European force levels of both the North Atlantic Treaty Organisation and the Warsaw Pact. The United States Government agreed with us in regarding the contribution which we made to peace and stability outside Europe as more important than our European role; and we could look to them to support in principle any measures which we might seek to adopt in accordance with these priorities, whether in relation to our oversea bases or otherwise.

The Prime Minister said that the visit which, together with the Foreign Secretary and the Commonwealth Secretary, he had subsequently paid to Canada had been very rewarding. They had received a very warm welcome from the Canadian Government and had held useful discussions both with the Cabinet as a whole and with individual Ministers. Largely as a result of their current preoccupation with the political tension in French Canada the Canadian Government were particularly sensitive to the probable reactions of the French Government to our project for an A.N.F. Nevertheless, they had expressed great interest in this concept and had undertaken to examine it with an open mind. They had been no less aware than the United States Government of the risk of a further proliferation of nuclear weapons which was inherent in the recent Chinese detonation of a nuclear device; and we could count on their support in any attempt which we might eventually make to promote the concept of nuclear interdependence in areas outside Europe.

The discussions in Ottawa had also comprised a useful exchange of views on the economic situation and on the prospects for United Kingdom exports to Canada, which remained at a disappointing low level. It was urgently necessary to improve our competitive position in the Canadian market.

The Cabinet—

Took note, with approval, of these statements and congratulated the Prime Minister, the Foreign Secretary, the Secretary of State for Defence and the Commonwealth Secretary on the successful outcome of their discussions in Washington and Ottawa.

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3. The Cabinet had before them a memorandum by the Commonwealth Secretary (C. (64) 25), proposing that a parliamentary mission should visit Southern Rhodesia.

The Commonwealth Secretary said that there would be advantage in sending a parliamentary mission to visit Southern Rhodesia in an attempt to conciliate the extreme views held by Europeans and Africans. A mission of this kind might help to resolve the deadlock if the Prime Minister of Southern Rhodesia, Mr. Smith, continued to be reluctant to visit the United Kingdom for further discussions; it would represent a useful new initiative, with considerable presentational value both in the United Kingdom and in the United Nations; and it would emphasise the bi-partisan approach to the problem in this country. It would be undesirable to stipulate that other members of the Commonwealth should be represented on the mission, since it was unlikely that this would be acceptable to Mr. Smith. The mission should therefore be composed of two Labour Members of Parliament (not in the Cabinet), one Conservative and one Liberal; and at least the chairman should be a Privy Councillor. The mission should preferentially not be given specific terms of reference; and its purpose might be described as being simply "to visit Southern Rhodesia". There should be no advance commitment that it would present a public report to Parliament. If the proposal were agreed and were acceptable to the Leader of the Opposition and the Leader of the Liberal Party, it would be communicated confidentially to Mr. Smith. He might seek to stipulate in advance that the mission should not have access to the African nationalists who were at present in detention. If so, it would be preferable that the mission should resolve this issue for itself after its arrival in Southern Rhodesia.

In discussion there was general agreement in principle with this proposal. The following main points were made:

(a) It could be argued that there would be advantage in including one or more representatives of other Commonwealth countries in the mission. This proposal might be put forward if Mr. Smith rejected the concept of a purely United Kingdom mission, since, if he also refused a mission with Commonwealth membership, the intransigence of his attitude would have been made doubly clear.

(b) The experience of earlier missions of this kind in relation to Kenya and the Federation of Rhodesia and Nyasaland suggested that it would be preferable not to seek to make precise stipulations about the individuals to whom the mission should have access, since it was probable that the mission itself, once it had arrived in Southern Rhodesia, would achieve agreement to a wider range of discussions than might be acceptable in advance. For the same reasons there would be advantage in not handicapping the mission by precise terms of reference. On the other hand it might prove impossible to persuade the Government of Southern Rhodesia to accept the mission without greater precision on these points.
(c) The composition of the mission might be further considered, in consultation with the Leaders of the other two parties, when the reactions of the Government of Southern Rhodesia to the proposal in principle were known.

The Prime Minister, summing up the discussion, said that there was general agreement that a proposal on the lines indicated in C. (64) 25 should be made to Mr. Smith at an appropriate moment. If he rejected it or sought to stipulate unacceptable conditions for its operation, it would be necessary for the Cabinet to consider the matter further. In any event we should reserve our right to publish the proposal, if necessary.

The Cabinet—

(1) Approved in principle the proposals in C. (64) 25 for the despatch of a parliamentary mission to Southern Rhodesia.

(2) Invited the Commonwealth Secretary to bring the matter before them again in the light of the reactions of the Prime Minister of Southern Rhodesia, Mr. Smith.

Cabinet Office, S.W.1,
11th December, 1964.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 15th December, 1964, at 11 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Michael Stewart, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:
Mr. John Diamond, M.P., Chief Secretary, Treasury (Items 3-6)
Mr. James G. Leechman, Q.C., Solicitor-General for Scotland (Item 3)
Mr. Sir Elwyn Jones, Q.C., M.P., Attorney-General (Item 3)
Mr. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Treend
Mr. P. Rogers
Miss J. J. Nunn
Mr. A. A. Jarratt

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

The Murder (Abolition of Death Penalty) Bill would receive its Second Reading on Monday, 21st December; and it was agreed in discussion that, although there would be a free vote, any Ministers who supported the retention of the death penalty should preferably abstain from voting rather than vote against the Bill. Ministers should inform junior Ministers and Parliamentary Private Secretaries accordingly, on the understanding that they would not be pressed to act otherwise than in accordance with their conscience.

2. The Prime Minister said that the Labour Party, when in Opposition, had invited the Government of the day to discuss defence policy with them on a confidential basis. It was for consideration whether, now that they held office, they should renew this initiative in relation to the present Opposition. To do so would not impose any unacceptable restrictions on the Government’s defence policy, since this had already been made clear. Nor would there be any question, at least for some considerable time, of giving the Opposition factual information which they did not substantially possess already. He had consulted the Secretary of State for Defence, who favoured the proposal.

In discussion there was general agreement with this suggestion.

The Cabinet—

Took note, with approval, that the Prime Minister would ascertain whether the Opposition would endorse a proposal that confidential discussions on defence policy should be arranged between themselves and the Government.

3. The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (C. (64) 27) about the establishment of Law Commissions for England and Wales and for Scotland respectively.

The Chancellor of the Duchy of Lancaster said that the Home Affairs Committee had considered proposals for the creation of a Law Commission for England and Wales, composed of five lawyers of high standing who would be appointed, with their supporting staff, by the Lord Chancellor. The Commission would have the task of planning a systematic review of the English law; carrying out consolidation and statute law revision; putting forward proposals for the reform of particular areas of the law; and providing Departments with a research and advisory service, particularly on Commonwealth and foreign law. It was proposed that a similar body should be
appointed by the Secretary of State for Scotland and the Lord Advocate jointly, in order to review Scottish law.

The Committee had considered that bodies with the proposed functions would be valuable instruments for securing a systematic reform of the law; but they had been concerned to find a means of reconciling the exercise of initiative by the Law Commission for England and Wales with the responsibility of Departmental Ministers for the law within the field for which they were answerable to Parliament and, therefore, to establish that the Commission would operate under the ultimate authority of the Cabinet. In many fields issues of law and of policy were closely related. Moreover, it might be desirable on occasion to ensure that particular topics were not examined at a time which might be inopportune in relation to the development of Government policy and that questions involving important political and social issues were examined by an appropriately constituted body, which might, for example, be a Departmental Committee or the Criminal Law Revision Committee rather than the Law Commission. It was therefore proposed that the Law Commission for England and Wales should submit to the Lord Chancellor from time to time a programme for the detailed examination of particular aspects of the law, together with recommendations on the manner in which the examination should be undertaken. The Lord Chancellor, before approving the programme, would consult the Ministers concerned; and any proposals on which agreement could not be reached would be submitted to the Cabinet. The approved programme would be published, as would the Commission's recommendations on areas of the law which it had been agreed that they should themselves examine in detail; and the Commission would make to the Lord Chancellor an annual report which would be presented to Parliament. The position in Scotland would be simpler. The Scottish Law Commission would make their proposals to the Secretary of State for Scotland and the Lord Advocate, who would consult the appropriate English Ministers on any proposals affecting the law with which they were concerned. Acceptance of the Commissions' programmes would not preclude Ministers from themselves putting in hand investigations on matters of current concern; nor would they be under an obligation to consult the Commissions on Bills included in the Government's programme of legislation, although it might on occasion be useful to do so.

In discussion it was agreed that, although the proposals did not go as far as had originally been envisaged towards the creation of a body with independent authority to review the law on the analogy of the Department of Law in some countries of Western Europe, Commissions on the lines proposed would nevertheless have considerable scope for valuable work. It was unlikely that Departmental Ministers would often find themselves unable to endorse specific proposals in the Commission's programme; and they would not be in a position to prevent particular projects from being undertaken unless the Cabinet were prepared to support their objections. The necessary legislation should be ready for introduction

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immediately after the Christmas Recess; but, since it would not itself give any indication of the manner in which the Law Commissions were expected to work, there would be advantage in publishing an explanatory White Paper at the same time as the Bill and arranging appropriate publicity for the proposals.

The Cabinet—

1. Approved the proposals in C. (64) 27 for the establishment of Law Commissions for England and Wales and for Scotland respectively.

2. Invited the Lord Chancellor, in consultation with the Secretary of State for Scotland and the Lord Advocate, to prepare a draft White Paper for publication at the same time as the necessary legislation and to give further consideration to other means of securing appropriate publicity for the Government’s proposals.

4. The First Secretary of State said that the Ministerial Committee on Economic Development, at their meeting on the previous day, had considered a proposal by the Minister of Transport to appoint Dr. Beeching, on his retirement from the position of Chairman of British Railways at the end of the year, to make a study of transport co-ordination on the understanding that he would devote his whole time to this undertaking for a period of five months before returning to private industry on 1st June, 1965. Some doubts had been expressed about this proposal on the grounds that Dr. Beeching might not be disposed to pay sufficient regard both to the place of public enterprise in the national transport system and to the social considerations involved in transport co-ordination. His appointment might also be criticised by the Trade Unions concerned, whose co-operation would be essential both for the study itself and for the implementation of any decisions which resulted from it. In addition some Ministers had thought it unlikely that, despite the assistance which Dr. Beeching could expect to obtain from the Ministry of Transport and elsewhere, a satisfactory report on so wide-ranging a subject could be produced within five months. A superficial report, however, would be politically embarrassing to the Government; and, for this reason alone, it might be desirable, if Dr. Beeching was finally appointed, for the Government to refrain from any commitment to publish his report when it was completed.

The Minister of Transport said that the Government were committed to preparing a national plan for the co-ordination of the different forms of transport; and they would come under increasing pressure to declare their intentions in the relatively near future. There was therefore an urgent need for a study on the lines proposed; and Dr. Beeching, whose experience as Chairman of the Railways Board had already made him familiar with many of the problems involved, was well qualified to undertake the proposed inquiry in the limited
time available. If five months proved to be too short a period for the study, it should not be impossible to arrange for Dr. Beeching’s services to remain at the Government’s disposal for a little longer. Some of the other criticisms of the proposal should be met if it was possible to dispel the misconception that Dr. Beeching would act in an executive capacity as “overlord” of the country’s transport system and to make it clear that he would merely be invited to advise the Government on the problems involved.

In discussion it was suggested that Dr. Beeching had already shown that in principle he favoured further co-ordination of transport on lines similar to those advocated by the Government and that the criticism of his suitability for the proposed appointment was to this extent unfounded. On the other hand, although a formal committee would be liable to prove too elaborate a means of conducting the rapid inquiry which was needed, it was essential that all the interests concerned should have an adequate opportunity to make their views known. It would therefore be appropriate that Dr. Beeching should be assisted by a strong panel, comprising representatives of the road and rail trade unions, the road haulage interests and independent individuals with experience of the economics of transport. It would be preferable that the members of the panel should not be regarded as merely assessors but that they should take an active part in the inquiries and discussions leading to the final report.

In further discussion there was general agreement with the view that the study might well require more than five months if it was to be satisfactorily completed, although there were strong arguments in favour of its findings being available to the Government well before the end of 1965. It was also agreed that the Government should give no undertaking to publish the eventual report, if only on the grounds that it might contain confidential information acquired from private interests, e.g., individual road hauliers, which could not properly be made public.

The Prime Minister, summing up the discussion, said that it appeared to be the general view of the Cabinet that Dr. Beeching should be invited to undertake the proposed study on transport co-ordination on the basis that he would be assisted by a strong advisory panel which would be actively associated with his inquiries, that the period of the study might need to be extended beyond 31st May, 1965, and that the Government would reserve their position about the publication of the report. The public announcement of Dr. Beeching’s appointment should take account of these points, so far as necessary; and the terms of reference of the inquiry should be amended in order both to emphasise that the review would be directed to the co-ordination of transport within an expanding economy and to require Dr. Beeching to take account of the social, as well as the economic, aspects of the issues involved. The Government should also be prepared, if necessary, to consider the desirability of subsequently appointing a full-scale Committee to examine the scope for transport co-ordination in the light of the recommendations made by Dr. Beeching. But this possibility, which should not be publicly announced at this stage, could be held in reserve.
The Cabinet—
Invited the Minister of Transport, in pursuing the proposal for the appointment of Dr. Beeching to make a study of transport co-ordination, to be guided by the points made by the Prime Minister in his summing up of their discussion.

5. The First Secretary of State said that he had now reached agreement with representatives of both sides of industry on a joint Statement of Intent on prices and incomes. It was hoped that the text would receive the approval of the five bodies concerned at separate meetings on the morning of Wednesday, 16th December; and their spokesmen would join the Ministers concerned later that day in a formal ceremony at which the Statement would be signed. The Statement was only the first, but nevertheless a very important, step towards a difficult objective; and, if properly presented to public opinion, it should both contribute to the renewal of international confidence in sterling and provide a firm foundation on which to develop the Government's domestic policies for economic expansion. Work was already in hand on the next stage, which would be concerned with the machinery for implementing the intentions outlined in the Statement; and he hoped shortly to submit proposals to his colleagues with a view to starting the next instalment of negotiations with the two sides of industry, possibly through the National Economic Development Council, early in the following month.

In discussion the Cabinet congratulated the First Secretary of State on securing general endorsement of the joint Statement of Intent on prices and incomes. It was agreed, however, that the extent to which the signatories of the Statement would regard themselves as genuinely committed to its objectives would become clearer during the next stage of more detailed negotiations.

The Cabinet—
Took note, with approval, of the statement by the First Secretary of State about the joint Statement of Intent on prices and incomes.

6. The Cabinet had before them a memorandum by the Lord Chancellor (C. (64) 26) about the salaries of the higher judiciary.

The Lord Chancellor said that the salaries of the judges, which were fixed by statute, had been last increased in 1954 after an interval of 120 years. Although the increase granted on that occasion had been intended to suffice for a generation, its value had been rapidly eroded; and the fact that the lower judiciary had received three salary increases in the interval since 1954 had resulted in an unrealistic
reduction in the differential between their salaries and those of the higher judiciary. The existing salaries of the judges were now insufficient to attract individuals of the highest calibre to the Bench; and the Lord Chief Justice had advised both his predecessor and himself that the judges themselves now considered that they had a very strong claim to an increase in their remuneration. The Sub-Committee on Prices and Incomes of the Ministerial Committee on Economic Development, who had considered the question, had therefore recommended that legislation should be introduced in June or July 1965 in order to increase the salaries of the higher judiciary with effect from September. They had judged it undesirable that any public announcement to this effect should be made in the immediate future, in view of its possible impact on the incomes policy which the Government were seeking to promote; but they had agreed that the judges and the previous Lord Chancellor, Lord Dilhorne, should be informed of the Government’s intentions in confidence. The quantum of the increase would be a matter for further discussion between the Ministers primarily concerned.

In discussion there was general agreement with these proposals.

The Cabinet—
Approved C. (64) 26.
CONCLUSIONS of a Meeting of the Cabinet held in the Prime Minister’s Room, House of Commons, S.W.1, on Friday, 18th December, 1964, at 10 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Herbert Bowden, M.P., Lord President of the Council (Item 1)
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Michael Stewart, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster (Item 1)
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power (Items 1 and 2)

The Right Hon. Patrick Gordon Walker, Secretary of State for Foreign Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government (Items 1 and 2)
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport

The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:

Mr. George Darling, M.P., Minister of State, Board of Trade

The Right Hon. Sir Elwyn Jones, Q.C., M.P., Attorney-General (Items 1 and 3)

The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:

Sir Burke Trend
Mr. P. Rogers
Miss J. J. Nunn

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1. The Cabinet considered a memorandum by the Minister of Housing and Local Government (C. (64) 30) on proposals for a Rent Bill.

The Minister of Housing said that the Government were committed to repeal the Rent Act, 1957, but not merely to restore the form of control in operation before that Act. It would not be practicable to retain a control related solely to gross rateable value, since rateable values rapidly became out of date and assessments were so variable that to use them as the sole criterion would be liable to produce inequitable results as between one area or one type of property and another. The objective should be to devise a flexible means of fixing a fair rent in the light of a series of criteria, of which gross value should be one while others might comprise the age and condition of the property in question, any improvements from which it had benefited, the character of the area and the general level of rents passing, subject to an overriding requirement that excessive rents attributable to scarcity would not be admissible. It was proposed that a system of rent regulation on this basis should apply to privately rented unfurnished property up to values of £400 (or possibly £350) in London and £200 in the provinces, these being figures which currently corresponded with the value limits which obtained before 1957. The Bill would apply the scheme to the whole country but would empower the Minister to withdraw by order areas in which rents were no longer influenced by scarcity. Existing de-controlled rents would be frozen at their present level; but it would be open to either party to propose a new rent which, if agreed, would be registered as the fixed rent for a specified term. If the parties were unable to reach agreement, a rent officer would attempt to secure their acceptance of his own determination of a fair rent; and only in default of acceptance would the case be referred to a rent assessment committee. New lettings would come within the system at an early stage, together with existing controlled rents as soon as the machinery was able to undertake the additional work.

Since it would be important to a flexible system of this kind that tenants should have security of tenure, it was proposed that all individuals within the ambit of rent regulation should have the security now provided by the Rent Acts for controlled tenants. But security for a family's home was a basic right, which should be secured also to tenants outside rent regulation, whatever the value of the property; and it was therefore proposed to provide that such tenants should be entitled to a period of four weeks' notice and should not be evicted without an order of the County Court, which would have power to suspend operation of the order for two months. These tenants would include tenants of publicly-owned property and also service licensees, in respect of whom it might be necessary to give the landlord special grounds for claiming early possession. There was some objection to giving the tenants of furnished premises a similar form of security; but, since the committee under the chairmanship of Sir Milner Holland were likely to report that the existing provisions enabling rent tribunals to give tenants of furnished property security
up to three months did not prevent serious oppression by some landlords, it might be necessary to provide additional protection. These and other matters were under consideration by the Ministers concerned; and, if the Cabinet approved the scheme in principle, it would be convenient for further proposals on matters of detail to be considered by the Ministerial Committee on the Rent Bill under the chairmanship of the Lord President.

In discussion the following aspects of the scheme were considered:

The basis of rent regulation

It was suggested that to allow rents to be assessed by rent officers and rent assessment committees, subject only to certain criteria specified in the statute, might result in considerable variation and in some areas might afford little protection against excessive rents. Moreover, if the registered rents for de-controlled properties were allowed to rise to levels substantially higher than those of controlled rents, the motive for putting illegitimate pressure on the tenants of controlled properties would remain. It might be possible to avoid both excessive rents and wide variations by providing that rents should be based on a factor of gross values varying within a specified range. On the other hand gross values were known to be an unreliable basis for rent assessment; and the Milner Holland Committee in particular were insistent that rents under the new system ought not to be determined by a rigid formula related to gross values. If the proposed system was to work effectively, flexibility was essential. Rents must be sufficiently variable to give a reasonable return on capital and to enable the landlord to keep the property in good repair; otherwise, the supply of properties available for letting would diminish. The objective should be to prevent rents rising to excessive levels rather than to hold them at unrealistically low levels.

Rent officers

It would be essential to a discretionary system that the rent officers should be of sufficient standing and independence to inspire confidence. It would be administratively convenient if they were employed by local authorities; but consultation with local authorities had disclosed a considerable difference of opinion on the desirability of this arrangement, although many authorities would be willing to assist in the recruitment of suitable staff to serve under rent assessment committees. This problem would have to be considered further in discussion with the associations of local authorities.

Service tenancies

It was pointed out that the proposal to give security against eviction raised particular problems in relation to service licensees since, if an employee left his employer's service, his accommodation would immediately be required for his successor. The National Coal Board, in particular, would be liable to be impeded in recruiting miners if they could not recover possession of accommodation occupied by men who had left the industry. On the other hand the proposed basic protection was insufficient to redeem the
Governments firm pledge to ensure that agricultural tenants were not evicted until alternative accommodation was available. It would be impracticable, however, to implement this pledge by giving the tenant a legal right to alternative accommodation, since any arrangement whereby an evicted agricultural tenant would enjoy priority over other individuals on a local authority's housing list would merely encourage eviction. The difficulty might be reduced, although not wholly removed, by conferring a right to alternative accommodation only on persons who had worked in agriculture for a specified period. The question would require further consideration.

Furnished lettings

In applying any form of protection against eviction to furnished accommodation it would be necessary to take account of the position of members of the Armed Forces, the Foreign Service and others who were required to serve abroad for considerable periods, during which they let their own homes. It was essential that they should be able to recover possession when they returned to this country, possibly at short notice. It might be practicable to distinguish bona fide lettings of this character from the letting of accommodation in which the provision of a minimal amount of furniture enabled the unscrupulous landlord to deprive his tenants of the protection enjoyed by tenants of unfurnished accommodation. For example, the tenant might be given a right to seek a declaration from the County Court that the accommodation was to be treated for the purpose of protection from eviction as though it was unfurnished accommodation.

The Cabinet—

(1) Invited the Minister of Housing and Local Government—
   (i) to give further consideration, in consultation with the Minister of Agriculture and the Minister of Power, to the problem of service lettings and, in consultation with the Secretary of State for Foreign Affairs, the Secretary of State for Defence, the Secretary of State for Commonwealth Relations and the President of the Board of Trade, to the form of protection from eviction to be provided for tenants of furnished accommodation;
   (ii) to consider, in the light of further consultation with the associations of local authorities, the appropriate method of appointing rent officers;
   (iii) to bring before the Committee on the Rent Bill his conclusions on these matters and on other questions requiring consideration during the preparation of the Bill.

(2) Subject to further consideration of the points under Conclusions (1) (i), (ii) and (iii) above, approved in principle the proposals in C. (64) 30.
2. **The Foreign Secretary** said that, as a result of the discussions which he and the Secretary of State for Defence had conducted with other members of the North Atlantic Treaty Organisation (NATO) during the meeting of the Ministerial Council of the Organisation earlier in the week, there was now increasing interest in our proposals for the creation of an Atlantic Nuclear Force (A.N.F.). The French Government still maintained that this project would have a divisive effect on the North Atlantic Alliance; and their fears in this respect were endorsed to some extent by the Governments of Belgium and Canada. On the other hand, the other members of the Alliance, including the Governments of the United States and the Federal Republic of Germany, had appreciated our contention that our proposals would ensure greater unity within the Alliance; and they were willing to allow them to be further examined. As a result there should no longer be any suspicion that we were deliberately seeking to protract the discussions or to evade a decision about the problem of promoting a greater degree of nuclear interdependence within the Alliance.

The **Secretary of State for Defence** said that, the French Government apart, there now seemed to be general agreement that the A.N.F. would be preferable to the original concept of a mixed manned surface fleet, although the Federal German Government might still need to be completely persuaded of this. We had made it clear that, even if such a fleet eventually had to be accepted as one component of an A.N.F., the United Kingdom would not contribute to it. In addition, we had emphasised, with the full support of the United States representatives, the importance of injecting greater realism into the forward military planning of NATO. In particular, we had opposed the most recent suggestions for a large increase in the force goals of the Organisation and had stressed the unrealism of the implied assumption that a prolonged war in Europe could follow a major nuclear exchange.

The **Foreign Secretary** added that in separate discussions with the French Foreign Minister, M. Couve de Murville, he had made considerable efforts to improve relations with the French Government and to promote a more sympathetic understanding on their part of the objectives which our A.N.F. project had been devised to achieve. It was clear, however, that the French conception of the North Atlantic Alliance was basically different from our own and that, unless this divergence of view could be resolved, the continuing French hostility towards NATO would not be modified by such considerations as the choice between the A.N.F. and the mixed manned surface fleet or even the abandonment of both projects. M. Couve de Murville had admitted that the French Government could offer no solution of their own for the problem of containing German nuclear aspirations within the Alliance; but he had indicated that, unless NATO could be reorganised in a manner more acceptable to French views, the French Government might be compelled progressively to dissociate themselves from the work of the Organisation.
The Foreign Secretary said that the situation in the Congo remained very precarious. It had now been ascertained that about 27 United Kingdom citizens and a few other British subjects remained in the territory which was still occupied by the rebels. Meanwhile, the advance of the governmental forces had slackened; the initiative of the Organisation of African Unity to end the civil war seemed to have failed; and there appeared to be little likelihood of any further effective intervention by the United Nations. If the Prime Minister of the Congo, M. Tshombe would agree to broaden the basis of his Government, there might be some hope of restoring stability in the country. But the United States and Belgian Governments, who were best placed to bring pressure to bear on him for this purpose, were unwilling to do so; and we ourselves should not become too deeply involved in this matter. In these circumstances, although we should continue to exert every effort to rescue the United Kingdom citizens who were still within the power of the rebel forces, we could have no confidence that we should succeed.

The Cabinet—

Took note of these statements by the Foreign Secretary and the Secretary of State for Defence.

3. The Cabinet considered a memorandum by the Minister of Labour (C. (64) 29) about the Trade Disputes Bill and an inquiry into trades unions and employers' associations.

The Minister of Labour said that The Queen's Speech had foreshadowed that a Bill would be introduced during the present Session of Parliament to give workers and their representatives the protection necessary for freedom of industrial negotiation. The need for such legislation arose from the decision of the House of Lords in the case of Rookes v. Barnard. The full implications of that decision were not clear; but it appeared that strikes of various kinds, not merely strikes in connection with the principle of the "closed shop" as in the case of Rookes v. Barnard, might be affected. The Trades Union Congress (T.U.C.) considered that trade union officials were generally hampered in their activities by the effect of the decision; and they had been pressing for an amendment of the law. This might be provided by a short Bill ensuring that in the circumstances of a trade dispute it would not be actionable to threaten to break a contract of employment or to threaten to induce another individual to break such a contract. The Bill should apply to proceedings instituted after it became law, even if they derived from causes of action arising before that date. To this extent the Bill would have a measure of retrospective effect. Proceedings which had been started before the enactment of the Bill, however, would be settled in accordance with the state of the law as it was now.
The T.U.C., after considerable discussion, had agreed that an inquiry should be held into trade unions and employers' associations. It should comprise the more important general problems of industrial relations as well as the specific question of trade union law; and possible terms of reference for this purpose were annexed to C. (64) 29. The inquiry should preferably be conducted by a small Royal Commission, composed of independent members who would not be representative of the interests of either employers or trade unions. It was not certain, however, that the T.U.C. would be prepared to forego specific representation of the trade unions in the membership of the Commission.

Trades Dispute Bill

In discussion it was suggested that the retrospective effect of the Bill might preferably be extended to comprise all legal proceedings which were in train at the date when the Bill became law. It was the obscurity of the existing law which made the Bill necessary; and it would accordingly be appropriate that current proceedings should be decided in the light of the clarification provided by the Act. Moreover, it would be right in principle to extend the degree of protection afforded by the Act to all persons whose position had been jeopardised by the decision of the House of Lords in the case of Rookes v. Barnard.

On the other hand to make legislation in the field of individual rights retrospective to this extent would be liable to be held to be contrary to basic principles of justice. In particular, individuals who had incurred costs in litigating in accordance with the current state of the law would have a legitimate ground of complaint; and this difficulty could not be remedied simply by providing in the Bill for the repayment of costs in such cases, since the individuals concerned might find themselves exposed to other hazards, including the risk of legal action under the new legislation.

In further discussion it was suggested that a possible compromise which might both avoid these difficulties and ensure justice to all parties concerned might be to provide that the Bill should have retrospective effect to the date of its publication, in order that individuals who instituted legal proceedings after that date should have clear warning of the possible consequences. There were precedents for such a degree of retrospection, including a number of Finance Acts. It appeared, however, that provision for any degree of retrospection might make the Bill a hybrid measure; and this factor required further examination before a decision could be taken.

Inquiry into trades unions and employers' associations

In discussion the following main points were made:

(a) The terms of reference annexed to C. (64) 29 might be interpreted as implying that the inquiry would relate solely to the activities of trades unions and employers' associations and would not extend to the wider field of industrial relations generally. This would have the undesirable result that relations between trades
unions and firms which were not members of employers' associations would be excluded. It could be argued that, provided that this omission was rectified, there might be advantage in limiting the inquiry to relations between trades unions and employers' associations; but there was general agreement that, on balance, the wider scope was to be preferred, particularly since it would be favoured by the T.U.C. It would be desirable to reconsider the proposed terms of reference from this point of view.

(b) The injunction to the Commission "to report", rather than "to make recommendations", might be interpreted as unduly limiting their freedom of action. On the other hand it would be prudent to avoid any form of words which might expose the Commission to the embarrassment of having to reveal that they had failed to agree on specific recommendations. A requirement merely "to report" would not in practice limit their freedom to make particular proposals, if they felt able to do so.

(c) The position of Northern Ireland in relation to the inquiry would require further consideration.

(d) Particular care should be taken to avoid any premature disclosure that the inquiry might be conducted by a Royal Commission until this question had been finally decided and any formal action which might be required, including The Queen's approval, had been completed.

The Cabinet—

(1) Invited the Minister of Labour, in consultation with the Lord Chancellor and the Attorney General, to consider, in the light of their discussion, the degree of retrospection for which provision should be made in the proposed Trade Disputes Bill and the extent to which, as a result, the Bill might be a hybrid measure.

(2) Invited the Minister of Labour, in consultation with the Lord Chancellor, to consider whether the terms of reference for the proposed inquiry into trades unions and employers' associations, as annexed to C. (64) 29, required amendment in order to make it clear that this inquiry would not be restricted to relations between the unions and associations, but would extend to the wider field of industrial relations in general.

(3) Invited the Minister of Labour, in consultation with the Home Secretary, to consider the extent to which Northern Ireland might be associated with the proposed inquiry.

(4) Agreed to resume their discussion in the light of the results of the action to be taken under Conclusions (1)-(3) above.

Cabinet Office, S.W.1,
18th December, 1964.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 14th January, 1965, at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. PATRICK GORDON WALKER, Secretary of State for Foreign Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. Sir FRANK SOKICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUNSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power

The following were also present:
The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Postmaster-General (Item 4)
Mr. ANTHONY CROSLAND, M.P., Minister of State, Department of Economic Affairs (Items 1–4)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. FEED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P., Minister of Transport (Items 3–5)
Mr. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Items 3 and 4)
The Right Hon. Sir ELWYN JONES, Q.C., M.P., Attorney-General (Item 5)

Secretary:
Sir BURKE TREND
Mr. P. ROGERS
Miss J. J. NUNN

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1. The Foreign Secretary said that he had now explored in greater detail the possibility of gradually effecting a rapprochement between the United Kingdom and the United Arab Republic (U.A.R.), on the understanding that our relations with the Government of Israel would not be impaired. As a result he was not unhopeful about the prospects; and the U.A.R. Government had been informed that, if they wished discussions to continue, we might be prepared to send a Ministerial spokesman to Cairo for this purpose. On the other hand they showed little signs of being willing to abate their attempts to undermine our position in Aden; and, domestically, President Nasser’s régime appeared to be becoming increasingly precarious. In these circumstances we need not be unduly anxious to pursue our initiative; and it would now be for the U.A.R. Government to indicate whether they were interested in following up the overtures which we had made.

The Foreign Secretary informed the Cabinet that the Indonesian Government had recently reinforced their troops in Borneo on a very considerable scale. We had therefore been obliged to despatch certain additional units to Borneo; and we might hope, as a result, to be able to continue to hold the position. Meanwhile, it appeared that President Sukarno’s health had suffered a further deterioration and that, in the contest for the succession which was now developing, the position of the Communist elements in Indonesia was improving. Even if President Sukarno survived, it seemed probable that Communist influence would increase, although the faction controlled by the Army would probably be able to prevent it from completely dominating Indonesian policy.

The Cabinet—

Took note of these statements by the Foreign Secretary.

2. The Home Secretary said that the Government of the Irish Republic had recently renewed their long-standing request that the remains of Sir Roger Casement, which had been interred in Pentonville Prison after his execution in 1916, should be returned to the Republic. It had been established that, despite earlier misgivings about the legality of this proposal, there would not, in fact, be any legal objections to our acceding to it. On the other hand it was known that Sir Roger Casement had expressed a wish to be buried in Northern Ireland. This would be wholly unacceptable to the Government of Northern Ireland; and it would therefore be essential that, as a condition of our agreeing to the proposal of the Government of the Irish Republic, they should give an undertaking that the remains would be reinterred in Republican territory and would not be subsequently removed.

In discussion the Cabinet were informed that both the Foreign Secretary and the Commonwealth Secretary endorsed the views of the Home Secretary.
The Cabinet—

(1) Agreed that the remains of Sir Roger Casement should be returned to the Irish Republic, on the understanding that they would be finally reinterred in the territory of the Republic.

(2) Took note that the Home Secretary would announce this decision in the House of Commons at an appropriate moment.

3. The Cabinet considered a memorandum by the Home Secretary (C. (65) 3) about the Children’s Service in Greater London.

The Home Secretary recalled that the Cabinet had invited him to consult the local authorities concerned on the proposals to confer on the Greater London Council (G.L.C.) certain functions relating to the children’s service. The G.L.C. had agreed with the proposals, which they considered would enrich, rather than detract from, the duties of the boroughs. On the other hand the proposals were opposed, in some cases strongly, by the minority party of the G.L.C., by about half the London boroughs, including several under the control of the Labour Party, by the Association of Municipal Corporations and by the County Councils Association. The opposition was based on the grounds that a two-tier system would be contrary to the principles of the Children Act, 1948, which vested responsibility for all work relating to deprived children in a single committee in each local government area; that residential provision ought to be managed by the authority which had the care of the children concerned; that the training of child-care staff could be better organised through a joint organisation maintained by the boroughs to serve the health and welfare services; and that the headquarters staff which the G.L.C. would require could be obtained only by retaining staff at present due to be transferred to the boroughs. The first two of these objections were based on advice given by the senior professional advisers to the London boroughs and would attract support from professional child-care organisations. Moreover, in so far as the case for legislation rested on the special circumstances of London, it could be argued by the opponents of the scheme that joint arrangements had been made by the boroughs to meet these circumstances. The situation would therefore offer opportunities for delaying tactics in Parliament, particularly in connection with the allocation of the properties of the Middlesex and London County Councils. In addition there would be insufficient time to negotiate afresh the allocation of properties among the boroughs; and this allocation would therefore have to be made by Order without the agreement of the authorities concerned. In order to allow time for this further stage the Bill, which was ready, would have to be enacted by the beginning of March; and, even so, the time available for making the necessary practical arrangements would be very short.

In discussion it was suggested that, whereas informed opinion which was familiar with the problems of the children’s service in
London supported the proposals, the opposition to them derived largely from bodies with no direct experience of running a children's service and merely exemplified the common reluctance of local authorities to surrender any powers which they already possessed. On the other hand the strength of this opposition and of its professional support should not be under-estimated; and, although it might be unwise on general grounds to reverse arrangements resulting from a previous Government's decisions unless a large issue of policy or principle were at stake, no such issue appeared to be involved in the present case and the administrative advantages to be gained by the proposals in question were open to considerable doubt. Moreover, the Bill would present considerable opportunities for Parliamentary obstruction, which might not only prevent its enactment in time but also delay other Government measures of greater importance.

The Prime Minister, summing up the discussion, said that, while the Cabinet might still, on balance, consider that the proposals could be justified on their merits, they had previously taken the view that a Bill could be introduced only if it was substantially an agreed measure. It was apparent, however, that, so far from this being the case, the Bill might well provide an occasion for the obstruction of other Government measures. Since this risk was clearly unacceptable, the Government had no option but to abandon the Bill. They could defend this decision on the ground that the timing of the recent General Election had not allowed them sufficient time in which to reorganise the service and that consultation with the interests concerned had not indicated that at this stage there would be general support for altering the arrangements on which the boroughs' plans had so far been based. The Home Affairs Committee might consider, however, how far the decision might be made less unpalatable by the issue of a general statement about the possibility of changes in the structure of London government in the future and also, perhaps, about the importance of arrangements for close liaison between the various authorities who would henceforward share responsibility for the children's service in Greater London.

The Cabinet—
(1) Agreed not to proceed with legislation on the Children's Service in Greater London.
(2) Invited the Minister of Housing and Local Government to bring before the Home Affairs Committee the question whether a statement should be made on the related issue indicated by the Prime Minister in his summing up of their discussion.

The Cabinet—

4. The Cabinet considered a memorandum by the Postmaster-General (C. (65) 1) about Post Office finance, to which was annexed the draft of a White Paper on Post Office Tariffs.
The Postmaster-General said that the financial target of the Post Office was a return on net assets averaging 8 per cent over the five years 1963-64 to 1967-68. At present, however, while the telecommunications services were paying their way, the postal services were heavily in deficit. Even on optimistic assumptions about the annual increase in the gross domestic product and in the remuneration of staff over the next few years this deficit would entail, over the five-year period in question, an aggregate loss of £131 million. The difference between the two services derived partly from past decisions on prices and partly from their differing character. The telecommunications services were rapidly expanding and technically progressive, whereas the scope for mechanisation in the postal services was more limited and it was therefore more difficult in their case to absorb rising costs in greater productivity. The Post Office had suffered in the past from insufficient investment, faulty pricing, a wages policy which had retarded recruitment and a gradual decline in the quality of its services. The long-term remedy could not be found in reducing services in quality or quantity, since this would not offer any hope of avoiding continually rising prices. Indeed, an increase in expenditure, primarily on investment, might be required in order to improve the standard of services. For these reasons it would be desirable to announce in the week beginning 18th January increases in postal tariffs in the terms indicated in the draft White Paper annexed to C. (65) 1. The yield of these increases in a full year should be some £37 million. This would fall short of the £45 million which would be required if the Post Office were to achieve in the remaining three years of the five-year period the target of an average return of 8 per cent on their net assets. But it would achieve the target in relation to those three years and would also make some contribution to the deficit in the first two years. The proposed changes would add only about 0.07 of a point to the cost-of-living index; and a new charge of 4d. for the inland letter rate would still compare favourably both with the pre-war rate in terms of current purchasing power and with current rates in other countries in Western Europe. It would be important, however, to announce at the same time certain plans for the modernisation of Post Office services in order to emphasise the positive aspect of the Government's policies in the longer term.

In discussion the following main points were made:

(a) It might be preferable to seek to offset cost increases by stimulating greater productivity than to appear to allow a Government Department to impose on the consumer price increases which, if proposed by private enterprise, would be regarded as evidence of inefficiency.

(b) On the other hand the modernisation of the postal services would not in itself afford any prospect of solving the financial problem of the Post Office. In particular, the scope for mechanisation was limited by the need to deliver letters and parcels by hand.

(c) Moreover, it was important that the Government should be seen to adhere to the concept of an 8 per cent return on net assets as a financial target for the nationalised industries and, therefore, for

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the Post Office; and it would be unwise to create a possible precedent in this respect by appearing to be reluctant to accept price increases in a case where they were required in order to achieve this target.

(d) The size of the proposed increase in rates was determined partly by the short-fall of revenue in the first two years of the five-year period, which had resulted from the failure of the previous Administration to raise charges to an economic level. This should be made clear in the announcement of the changes.

(e) The proposed increase in parcel rates, which compared unfavourably with rates offered by road haulage organisations, might well be reconsidered, particularly since its effect might be to discourage traffic rather than to increase revenue.

(f) The Post Office should pursue as rapidly as possible all suggestions for modernising their services (including the introduction of standard sizes for envelopes); but the proposal that a firm of United States consultants should be engaged for this purpose should be reconsidered.

(g) The announcement of the increased charges at the present juncture might be misinterpreted in relation to the Government’s current efforts to encourage price restraint in general. It might therefore be desirable to defer the announcement for a time. On the other hand it might be unwise to contemplate more than a brief postponement, since delay would merely exacerbate the problem. But on any hypothesis about the timing of the announcement it might be appropriate to redraft the White Paper in such a way as to put the main emphasis on the measures to be taken in order to increase efficiency and productivity.

The Cabinet—

(1) Approved in principle, subject to Conclusion (2) below, the proposals in C. (65) 1 for increases in Post Office tariffs.

(2) Invited the Postmaster-General to review the proposed increases in parcel rates in the light of their discussion.

(3) Took note that the Prime Minister, in consultation with the First Secretary of State, the Chancellor of the Exchequer and the Postmaster-General, would give further consideration to the timing of the announcement of the increased tariffs.

(4) Invited the Postmaster-General to revise the draft of the proposed White Paper in order to place greater emphasis on the measures to be taken in order to increase efficiency and productivity in Post Office services.

5. The Cabinet considered a memorandum by the Minister of Labour (C. (65) 2) on the proposed inquiry into trade unions and employers’ associations.

The Minister of Labour recalled that he had been invited to consider, in consultation with the Lord Chancellor, whether the terms of reference for the proposed inquiry into trade unions and employers’ associations should be reframed to ensure that the inquiry was properly designed to examine the policies and practices of trade unions and employers’ associations and their impact on the economy.
employers' associations annexed to C. (64) 29 required amendment in order to make it clear that the inquiry would not be restricted to relations between the unions and the associations but would extend to industrial relations in general. The formula now proposed in C. (65) 2 was in more general terms and should suffice for the purpose in view. Moreover, it omitted the specific reference to productivity and efficiency in the earlier draft, to which the Trades Union Congress (T.U.C.), although accepting that the topic would remain within the ambit of the inquiry, had seen objection. The General Council of the T.U.C. were expected to accept the revised terms of reference at a meeting on 18th January; and it was proposed that, subject to The Queen's approval, the establishment of the Royal Commission and its terms of reference might be announced in a statement on economic measures which the Prime Minister had it in mind to make in the House of Commons on 19th January. It would be desirable that the chairman of the Royal Commission should be a High Court judge.

In discussion the following points were made:

(a) The Government of Northern Ireland had agreed that the inquiry should extend to Northern Ireland, on the ground that, although the Trade Disputes Act, 1906, did not apply to Ulster, the problems which the Royal Commission would consider were common to all parts of the United Kingdom. Since, however, the subject matter of the inquiry was within the responsibility of the Northern Ireland Government, the statement on the appointment of the Royal Commission should make it clear that they had agreed to the extension of the inquiry to Ulster. They had also expressed the hope that the membership of the Royal Commission might include an individual with knowledge of Northern Ireland.

(b) While there were sound arguments in favour of selecting a judge as chairman of the Royal Commission, the increasing demands on the services of the judiciary for non-judicial work might make it necessary to increase their numbers.

(c) More urgency might be imparted to the terms of reference by substituting the phrase “... accelerating the social and economic advance of the nation ...” for the phrase “... advancing the social and economic well-being of the nation ...”.

The Cabinet—

(1) Approved, subject to the drafting amendment suggested in their discussion, the proposed terms of reference for the Royal Commission on Trades Unions and Employers' Associations.

(2) Took note that, subject to The Queen's approval, the Prime Minister might announce the appointment of the Royal Commission in the House of Commons on 19th January.

(3) Invited the Minister of Labour, in considering the membership of the Royal Commission, to take account of the interests of Northern Ireland.

Cabinet Office, S.W.1.

14th January, 1965.

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Cabinet Office, S.W.1,
14th January, 1965.

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CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 19th January, 1965, at 11 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. DENIS HEALY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRED PEARL, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. Sir FRANK SOSKICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. FREDERICK LEE, M.P., Minister of Power

The Right Hon. TOM FRASER, M.P., Minister of Transport

Also present:
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
SIR BURKE TREND
Mr. P. ROGERS
Miss J. J. NUNN
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1. The Prime Minister informed the Cabinet that Sir Winston Churchill, who had recently suffered a cerebral thrombosis, was now gravely ill. If he did not survive, it would be appropriate that tributes should be paid to his memory in Parliament; and the necessary arrangements for this purpose would be made. In so far as individual Ministers might wish to commemorate in a similar way Sir Winston's association with their respective Departments in the past, they should feel free to do so; but it might be convenient if any supplementary tributes of this nature were co-ordinated by the Prime Minister's Press Secretary at No. 10.

Since it would be inappropriate in these circumstances to proceed with the despatch of any controversial Parliamentary business which could be deferred without undue inconvenience, the statement on export incentives and other economic measures which he had had in mind to make on that afternoon would be deferred for the time being.

The Cabinet—

Took note of the Prime Minister's statement.

2. The Prime Minister invited the attention of his colleagues to the memorandum which he had recently circulated as C. (64) 31. Recent experience had underlined the importance of maintaining complete discretion about the deliberations of the Cabinet and its Committees; and Ministers might wish to bear particularly in mind the suggestion that, on any occasion when they granted interviews to the Press, they should be accompanied, for their own protection, by their Departmental Press Officers.

3. The Cabinet considered a memorandum by the Secretary of State for Education and Science (C. (65) 4) about comprehensive secondary education.

The Secretary of State for Education and Science said that the Opposition had elected to raise the subject of comprehensive education in the debate on Supply on 21st January. He proposed to discuss the subject during the debate on the lines set out in his memorandum and to announce his intention to send a circular to Local Education Authorities (L.E.A.s.) requesting them to submit plans for the reorganisation of their secondary schools on comprehensive lines and to indicate that the legislative basis for the adoption of the comprehensive principle would be provided by the introduction of a Bill in the next Session of Parliament.
There was a good case on educational and social grounds for the abolition of the segregation of children by 11-plus selection and for the adoption of the comprehensive principle, to which the Government were committed. In recent years a substantial number of L.E.As., catering for two-thirds of the children of secondary school age, had been planning the reorganisation of their schools with the object of eliminating selection at the age of 11. These schemes varied in merit; and it was desirable that a national policy should be announced in order that the Department of Education and Science might be in a position to advise authorities at an early stage of their planning. For the most part the comprehensive principle would have to be implemented by using the existing stock of buildings. Two secondary schools might be used as the junior and senior departments of a single comprehensive school; or pupils could move from a primary school to a junior comprehensive school and thereafter, at age 13 or 14, at the wish of parents who were willing to keep them at school until 16, to a grammar school with an extended range of courses; or pupils staying beyond 16 could move at that age to a junior college. Purpose-built comprehensive schools could be provided where new buildings were needed to accommodate increasing numbers; but they need not be of the size which had been adopted in London.

Objections would be raised to the comprehensive principle on the ground that it involved “destroying the grammar schools” or that separate grammar and modern schools provided better education for the children in both. But grammar schools would not cease to provide their traditional type of education because they also provided for a wider range of children, some of whom might be found to benefit from studies of an academic type; and there was no reason why either academic or non-academic children should suffer from being educated together, provided that comprehensive schools were well staffed and organised. It would also be alleged that the adoption of a national policy of comprehensive education would deprive L.E.As. of their autonomy. But, in view of the mobility of the population, the need to limit local divergencies in education justified the central Government in requiring L.E.As. to adopt a uniform principle, although variations of local circumstance suggested that they should be given considerable latitude in their choice of method and timing. Special problems arose in relation to direct grant schools, which should eventually either be absorbed in the local authority system or be treated in the same way as independent schools. There was reason to think that some of them would be willing to broaden their basis voluntarily; but for the time being no action need be taken in this regard beyond ensuring that their numbers did not increase. The denominational voluntary schools were unlikely to be hostile to the comprehensive principle; but they would wish their own problems to be taken into account in the course of reorganisation. The non-denominational voluntary schools, which included some of the most distinguished grammar schools in the country, might also not wish to be absorbed into the L.E.As’ schemes; and their position would have to be considered.
in the context of the plans of the relevant authorities. In some areas reorganisation might have to proceed slowly; but, once the principle of comprehensive education was accepted as setting the normal pattern, particular problems should in time be capable of solution.

In discussion there was general agreement with the proposals in C. (65) 4. The following main points were made:

(a) Expenditure on education was already rising at the rate of 6 per cent per annum; and any further increase could only be at the expense of other services. It would therefore be desirable to ensure that L.E.As. were not encouraged to proceed in such a way that a demand was created for the diversion of additional resources to secondary education, either by increasing the allocation for education as a whole or by reducing the amounts available for the improvement of primary schools or the expansion of higher education. Since, however, the increasing expenditure on education already approved was designed to provide for the additional children who would have to be catered for in secondary schools as a result both of the current tendency to remain at school until 16 and of the raising of the school-leaving age in the relatively near future, it should be possible to make some provision for comprehensive schools within this allocation. The adoption of the comprehensive principle need not in itself necessitate additional expenditure; and, although reorganisation might proceed faster if local authorities could be given financial help in overcoming particular difficulties, inability to find the extra money would not prejudice its quality.

(b) It should be emphasised that the acceptance of the comprehensive principle involved the abolition not only of the existing methods of selection of 11-plus but of the segregation of which the 11-plus test was the instrument; and it should be made clear to parents that comprehensive schools made available to the more intelligent children, as to others, a wider range of courses than was normally available in grammar schools.

(c) It was desirable that Government spokesmen in the debate should avoid being drawn into giving details of the Government's policy towards direct grant schools. It would be sufficient to say that their numbers would not be allowed to increase.

(d) It was proposed to announce, in answer to a Question in the House of Commons, that the principle of comprehensive education would also be applied in Scotland. It was not, however, a controversial issue north of the Border.

(e) Any reference to legislation should avoid using terms which could be represented by the Opposition as a threat to the independence of L.E.As. or to the freedom of choice of parents. It would be better not to legislate until a need to do so could be demonstrated by the response of L.E.As. to the proposed circular; and there should be no need for legislation immediately, since, while some amendment of the Education Act, 1944, might facilitate reorganisation, particularly where it became necessary to close
schools, it was not essential for this purpose. It would be preferable at the outset to emphasise the Government's confidence, based on the growing acceptance of the comprehensive principle, that local authorities would respond voluntarily to the request to submit plans for reorganisation and to indicate that the Government did not intend to introduce legislation unless it proved to be needed. It would be desirable, however, to be ready to admit, if necessary, that the Government would be prepared to legislate if they judged that this would help L.E.As. in implementing a policy of comprehensive education.

The Cabinet—

Approved the proposals in C. (65) 4 and invited the Secretary of State for Education and Science to be guided, in speaking in the Parliamentary debate on 21st January, by the points made in their discussion.

Cabinet Office, S.W.1,
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 21st January, 1965, at 10.30 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council (Items 1-3)
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. Sir FRANK SORSKIE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for the Colonies
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P., Minister of Transport

The following were also present:
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Item 3)
Mr. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Item 3)
Mr. GEORGE THOMSON, M.P., Minister of State for Foreign Affairs (Items 1-2)
The Right Hon. Sir ELWYN JONES, Q.C., M.P., Attorney-General (Item 4)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
SIR BURKE TREND
Mr. P. ROGERS
Mr. A. A. JARRATT

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week. It might be necessary, however, to rearrange the order of business if, on further consideration, it appeared appropriate to reinstate the proposed statement by the Prime Minister on export incentives and related economic measures.

2. The Prime Minister informed the Cabinet that the replies which he had received from the Prime Minister of Southern Rhodesia, Mr. Ian Smith, to his recent messages suggested that relations with Southern Rhodesia, after a period of relative quiescence, were once again about to enter a critical phase. In particular, Mr. Smith had rejected our suggestion that a Parliamentary Commission should visit the colony; and the intemperate tone of his letters appeared to offer little opportunity for breaking the deadlock between the two Governments. On the other hand circumstances might provide the occasion for Mr. Smith to visit London in the near future; and in that event we must be ready, and willing, to explore every means of renewing contact with him and seeking to persuade him to adopt a more reasonable attitude. Meanwhile, it was becoming increasingly clear that, if the Government of Southern Rhodesia decided to declare their independence unilaterally, the economic consequences, both for the United Kingdom and for Zambia, might be serious; and it was important, therefore, that all Ministers should refrain from making any public statement about Southern Rhodesia which might afford Mr. Smith's Government a pretext for taking this final, decisive step.

The Minister of State for Foreign Affairs (Mr. Thomson) said that the United Nations Organisation still faced a deadlock on the question of the payment of arrears of contributions by certain member countries, particularly the Soviet Union and France. A decision on the issue was likely to be taken at the beginning of the following week; and we should maintain our efforts to persuade the Government of the Soviet Union to make a sufficiently large voluntary payment to allow the General Assembly to regard the matter as disposed of without the need for action under Article 19 of the Charter of the United Nations. But, if the Soviet Government refused to make any move in this direction, the issue would have to be put to the vote. The outcome was unpredictable; but, whether it was a victory for the Soviet Government or for the Powers who were seeking to uphold the principle of Article 19, the consequences could not be other than harmful. Moreover, any attempt to evade the issue by postponing the Assembly until, say, the following autumn would be no less deplorable in so far as the prestige of the Organisation would be gravely damaged and its ability to promote peace-keeping operations would be severely diminished.

In discussion there was general agreement that we should spare no effort to persuade the recalcitrant member countries, particularly France and the Soviet Union, to resolve the deadlock by means of
voluntary contributions. On the other hand both these countries might be prepared, if necessary, to allow the United Nations to disintegrate rather than to compromise on the financial issue involved; and, if the forthcoming debate indicated that there was a real risk that this might happen, we must be prepared, in consultation with the United States and other member countries, to take some action, at very short notice, to demonstrate our determination to maintain the integrity and cohesion of the Organisation. We must also ensure, so far as possible, that no part of the blame for this situation would appear, in the eyes of the Afro-Asian bloc and other uncommitted nations, to attach to the United Kingdom.

The Minister of State for Foreign Affairs said that it was satisfactory that the United States Government had now publicly indicated that they considered that discussion of our proposals for the creation of an Atlantic Nuclear Force should proceed as expeditiously as possible. They were probably prepared to allow the final decision on these proposals to be deferred until after the forthcoming elections in the Federal German Republic; but they would support us in seeking to establish some formal machinery for their detailed examination in the interim. Meanwhile, the initial reactions of the Federal German Government to our proposals had been not unfavourable; but it remained to be seen how far their attitude might be modified as a result of the recent discussions between President de Gaulle and the Federal Chancellor, Dr. Erhard.

The Minister of State for Foreign Affairs informed the Cabinet that the political situation in the Congo appeared to be deteriorating still further. M. Tshombe remained unwilling to take any action to broaden the basis of his Government; and the rebel forces seemed to be gaining fresh strength. We should continue to take any action within our control to moderate the situation; but the outlook was unpromising.

3. The Cabinet considered a memorandum by the Minister of Health (C. (65) 6) on the level of hospital capital expenditure in 1965-66.

The Minister of Health said that the rate of expenditure on hospital building which was implied in the long-term hospital construction plan initiated by the previous Administration was determined by an estimate of the capacity of Hospital Boards to prepare plans for individual hospital projects. The programme for 1965-66 had been settled, on this basis, at £63 million; but it had recently become clear that Hospital Boards had so improved their speed of planning that they would now be able to spend an additional £5 million in the next financial year. While the proposed increase in expenditure took account of some increase in earlier estimates of costs, it derived mainly from the fact that the plan would reach its peak earlier than had been expected. The plan was now being revised; and the circumstances which had led to the proposed increase in expenditure in 1965-66 should not be repeated in later years.
Meanwhile, however, an enforced limitation of expenditure in that year to the original figure of £63 million would result in the postponement of a number of important specific projects; and a delay in starting schemes which were ready to be implemented forthwith would be widely regarded as a reduction, even though the starts would be ahead of the original programme. The damage to the reputation of the Government, who had publicly declared themselves as in favour of an acceleration in hospital building, would be out of proportion to the savings in public expenditure.

The Chief Secretary, Treasury, said that the proposed increase in expenditure on hospital building should be considered against the increase of more than 10 per cent in total civil expenditure now envisaged for 1965–66 compared with 1964–65. The increase in expenditure by the Health Departments within this total was already more than 10 per cent above the current year's level. Hospital building was proceeding in accordance with an agreed programme, which had been adjusted to allow for increased costs; and revision of the programme on the lines proposed would not only cast doubt upon the efficiency of the Government's forward planning as a whole but would also be liable to impose delays on other important building programmes in view of the additional strain which would be placed upon the construction industries. The consequences of overloading the economy in this manner would be far more serious than the political embarrassment of appearing to delay hospital projects which in any event were scheduled for later years.

In discussion it was suggested that there would be serious social and political disadvantages in arresting the momentum of hospital building under the existing plan. The question at issue was one of rephasing, not expanding, the agreed programme; and it carried no implication for a further increase in hospital building in 1966–67 beyond the figure of £67 million now envisaged. The modernisation and extension of hospital facilities had been started only a few years before; and it would be particularly unfortunate if this were the first programme to be chosen for deferment by a Labour Government. Moreover, a number of important projects would be affected, including a joint Regional Board/Medical Research Council project for a clinical research centre; and the highly qualified staff who had been assembled for the centre might be lost if its construction was delayed.

On the other hand there had already been a substantial increase in expenditure on the health services as a result of the abolition of prescription charges; and further possible increases were in prospect in relation to, e.g., the remuneration of general practitioners and nurses. There was already a significant shortage of craftsmen in the building industry; and it would be unwise to increase the demands on the industry unnecessarily. While a decision to restrain the hospital programme would be unpopular, some degree of political difficulty was inescapable in any attempt to establish priorities between one form of Government expenditure and another.
The Chancellor of the Exchequer said that the discussion clearly illustrated the difficulties of reaching decisions on specific proposals for increased expenditure in the absence of an assessment of the priorities to be adopted in the field of public expenditure as a whole. He intended to circulate in the near future proposals for a public expenditure programme for the next five years, based on a 4 per cent growth rate in the economy. He would invite Departmental Ministers to prepare, in the light of this programme, more detailed proposals within the fields for which they were responsible, distinguishing between basic programmes on which commitments had already been incurred and new proposals for additional expenditure. The National Plan would be in course of preparation at the same time; and at a later stage in the year it would be necessary to match the proposals for public expenditure over the next five years with the resources expected to be available. Against this background it would be preferable that the Minister of Health should withdraw his proposal for increased expenditure on hospital building until priorities had been established within the programme for public expenditure as a whole.

The Prime Minister, summing up the discussion, said that the Cabinet, while sympathising with the difficulties facing the Minister of Health in relation to the hospital building programme, felt unable to reach a decision on his proposals for increased expenditure until they had been further considered in relation to other competing claims on the national resources. The Chancellor of the Exchequer and the Minister of Health should therefore re-examine the necessity for an increase in hospital building in 1965–66; and, if such an increase appeared unavoidable, it would be necessary to consider whether savings could be made elsewhere in expenditure on health or other services.

The Cabinet—

Invited the Chancellor of the Exchequer and the Minister of Health to re-examine the proposals in C. (65) 6 on the lines indicated by the Prime Minister in his summing up of their discussion.

4. The Cabinet considered a memorandum by the Minister of Labour (C. (65) 7) about the degree of retrospection for which provision should be made in the proposed Trade Disputes Bill.

The Minister of Labour said that, unless the Bill was explicit on the issue of retrospection, all legal proceedings which depended upon causes of action arising before it became law would be settled in accordance with the law as it was at present. Such proceedings might be started up to six years after the cause of action arose; and a case might therefore fall to be settled under the present law many years after the Bill came into operation. Some measure of retrospection was therefore desirable. It would be objectionable, however, for the Bill to apply to all proceedings which were in train when it came into operation.
operation, since individuals who had started litigation before publication of the Bill might find their cause of action removed or drastically altered before the action was settled. After consultation with the Lord Chancellor and the Attorney-General he therefore proposed that the Bill should apply to proceedings which were started after it became law, since it would then be wholly clear, at the time when the proceedings were begun, whether they would be settled under the old law or the new law. The practical consequences would be small, since there were unlikely to be more than two or three cases in the next few months. The Bill would not be a hybrid measure whether it applied to proceedings started after its publication or to proceedings started after it became law.

In discussion there was general agreement with these proposals.

The Cabinet—

Approved C. (65) 7.

Cabinet Office, S.W.1.

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 26th January, 1965, at 10.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

Also present:
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Mr. P. Rogers

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The Prime Minister said that the Cabinet would wish, at their first meeting after the death of Sir Winston Churchill on 24th January, to send a message of sympathy on behalf of the Government as a whole to Lady Churchill and the other members of Sir Winston’s family.

In accordance with the wish expressed by The Queen the Earl Marshal and the Lord Great Chamberlain were making the necessary preparations for the Lying-in-State ceremony in Westminster Hall on 27th–29th January and for the State Funeral in St. Paul’s Cathedral on 30th January. Ministers would be advised in due course of the arrangements which were being made to enable them to be present on these occasions.

There would be no national mourning during the remainder of the week; and Ministers should feel free to attend public and social functions in so far as these were clearly related to the conduct of public business. They should also continue to take part, as appropriate, in political activities connected with current by-elections, although they might well feel that they should refrain from public political controversy on 30th January, the day of Sir Winston’s funeral. It would be appropriate, however, that they should decline purely social invitations, other than of a private nature, for the remainder of the week.

On the previous day Lord Avon had proposed in the House of Lords that, as a continuing memorial of Sir Winston’s name, an annual Churchill Day should be instituted on the anniversary of some appropriate occasion in Sir Winston’s life. This proposal might merit further consideration in due course; but it would be wise to allow some interval to elapse before pursuing it in order to judge how much popular support it would command.

The Cabinet—

(1) Took note of the Prime Minister’s statement about the arrangements to be made in connection with the death of Sir Winston Churchill.

(2) Endorsed the proposal that a message of sympathy should be sent to Lady Churchill.

The Lord President informed the Cabinet that, since Parliament would be adjourned during Sir Winston Churchill’s Lying-in-State, it would be necessary to effect some re-arrangement of Parliamentary business. It was proposed that the revised order of business should be as follows:

Monday, 1st February: Second Reading of the Control of Office and Industrial Development Bill and of the Kenya Republic Bill.
Tuesday, 2nd February: Remaining stages of the Consolidated Fund Bill, followed by a debate on a Motion by the Opposition on the aircraft industry and a debate on a Motion on the Import Duties (Various Goods) Order.

Wednesday, 3rd February: Second Reading of the War Damage Bill; and remaining stages of the Superannuation (Amendment) Bill.

Thursday, 4th February: Debate on an Opposition Amendment of Censure, followed by the remaining stages of the Kenya Republic Bill.

Friday, 5th February: Private Members’ Motions.

Monday, 8th February: Second Reading of the Museum of London Bill (in the House of Lords); remaining stages of the Rivers (Prevention of Pollution) (Scotland) Bill; and a Motion on Sea Fisheries Order.

The Gas Bill would be presented during that week.

The Prime Minister said that it would also be necessary to arrange for the release of certain statements which would otherwise have been made in Parliament. It would not be possible to defer for a further week his own projected statement on export incentives and other economic measures; and the President of the Board of Trade would therefore arrange for details of the proposals as regards export incentives to be made public as soon as Commonwealth and foreign Governments had been given sufficient advance information about our intentions. Some subsequent occasion would have to be found for the publication of the other elements in the comprehensive economic statement which he himself had originally intended to make. In addition the Secretary of State for Defence should now publish the statement about the grounding of the Valiant bombers which he had had in mind to make in Parliament on the following day.

The Cabinet—

Took note of the statements by the Prime Minister and by the Lord President.

Cabinet Office, S.W.1,
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 28th January, 1965, at 10 a.m.

Present:

The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. MICHAEL STEWART, M P, Secretary of State for Foreign Affairs
The Right Hon. Sir FRANK SOSKICE, O. C., M P, Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M P, Secretary of State for the Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal (Items 1–3)
The Right Hon. RICHARD CROSSMAN, M P, Minister of Housing and Local Government (Items 1–4)
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. FRED PEART, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M P, Minister of Transport
The Right Hon. HERBERT BOWDEN, M P, Lord President of the Council (Items 1–3)
The Right Hon. JAMES CALLAGHAN, M P, Chanceller of the Exchequer
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M P, Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M P, Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M P, President of the Board of Trade (Items 1–4)
The Right Hon. ANTHONY CROSLAND, M P, Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M P, Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M P, Minister of Technology
The Right Hon. FREDERICK LEE, M P, Minister of Power
The Right Hon. BARBARA CASTLE, M P, Minister of Overseas Development

The following were also present:

The Right Hon. ANTHONY WEEDWOOD BENN, M P, Postmaster-General (Item 5)
Mr. JOHN DIAMOND, M P, Chief Secretary, Treasury (Items 3–5)
The Right Hon. EDWARD SHORT, M P, Parliamentary Secretary, Treasury

Secretariat
Sir BURKE TREND
Mr. P. ROGERS
Mr. A. A. JARRATT

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South Vietnam

Southern Rhodesia (Previous Reference: CC (65) 3rd Conclusions, Minute 2)

Public Expenditure

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1. The Cabinet were informed of the revised order of business to be taken in the House of Commons in the following week.

The terms of an amendment to the Opposition Motion of Censure, to be debated on Tuesday, 2nd February, were discussed.

2. The Foreign Secretary said that the member countries of the European Free Trade Association were continuing to press us to announce, during February, some reduction in our import charges. They were also tending to claim that our system of export rebates, which had recently been announced, was contrary to the Stockholm Convention and should be terminated as soon as possible.

In discussion there was general agreement that the export rebates were intended to be permanent and that we could not concede that they constituted a breach of our international obligations.

The Foreign Secretary said that the recent assassination of the Prime Minister of Iran appeared to be the result of purely internal tensions and was not attributable to any external intervention. There was no reason to think that it would involve any change in the general direction of Iranian policy.

The Foreign Secretary informed the Cabinet that another military coup d'état had just taken place in South Vietnam and that there was some reason to suppose that the new régime might be less disposed to co-operate with the United States Government.

In discussion it was agreed that there appeared to be no action which we ourselves could usefully take at this juncture; but we might ascertain informally from the United States Government whether they saw any scope for us to intervene in our capacity as co-chairmen of the 1954 Geneva Conference.

The Commonwealth Secretary informed the Cabinet that the Prime Minister of Southern Rhodesia, Mr. Ian Smith, had now decided to attend the forthcoming funeral of Sir Winston Churchill and that the President of Zambia, President Kaunda, might also be in London on that occasion. These visits might provide an opportunity for informal discussions about the problems of Southern Rhodesia.

3. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C (65) 10) on the preparation of long-term programmes of public expenditure.

The Chancellor of the Exchequer said that the future level of public expenditure had to be considered in relation to the expected growth in gross domestic product although they need not necessarily
keep in line. He had agreed, in consultation with the First Secretary of State, that it should be assumed for industrial planning and public presentation that the gross domestic product would increase by 25 per cent between 1964 and 1970, but that a slightly lower rate of growth, namely, one of 22½ per cent should be assumed for the purpose of relating long-term programmes of public expenditure to prospective resources. They had felt it right to adopt a more optimistic forecast for industrial purposes to encourage faster growth, but to be more cautious in the planning of public expenditure so as not to commit the Government to spending the fruits of faster growth before they had been achieved. The programmes inherited from the previous Administration, which envisaged an annual increase in public expenditure of 5½ per cent a year between 1964-65 and 1968-69, could not be accommodated within the assumed rate of increase in gross domestic product over that period without a substantial increase in tax rates over and above the buoyancy of the revenue and a significant restriction in the growth of private consumption. This could jeopardise the Government’s policies for stimulating economic growth. The growth in public expenditure should therefore be limited to 4½ per cent a year thereby deferring the attainment of the level of expenditure currently envisaged for 1968-69 by one year.

This would still involve a significantly faster increase in civil expenditure than in gross domestic product and would require some increase in tax rates and some restraint on private consumption. The achievement of even this lower rate of increase would depend essentially on the Government’s ability to contain defence expenditure at the 1964–65 level of £2,000 million, at 1964 prices; it was already obvious that this was unlikely to be achieved in the next financial year but it would be essential to reach this level as soon as possible thereafter and to hold it through to 1969–70. This policy, if successful, would save £350 million a year and, by accepting a reduction in the contingency margin from £300 million to £150 million it would be possible for the total sum available for civil expenditure to continue rising at the rate envisaged in existing programmes. These programmes, however, were comprised of commitments entered into by the previous Administration which did not necessarily reflect the priorities of the present Government. It was necessary, therefore, to review the programmes in order to distinguish between items of greater and lesser priority and to assess the possibilities of savings in those parts of the programmes that should continue. For this purpose each Department should prepare a basic programme within the limits and procedures laid down in the Appendix to his paper: these limits were designed to reflect very broadly the rates of expansion of expenditure which flowed inescapably from the development of policies which had already been announced. Each Department would also be entitled to submit an additional programme, representing the improvements it would wish to see over and above its basic programme; the total sum available for such additions, however, might be no greater than £200 million. For this reason, any Minister who felt that his basic programme was too high should make this known as early as possible. When
the basic and additional programmes had been prepared, they would, in the middle of the year, be matched in terms of resources with the national Plan for economic development; it would then be possible for the Cabinet to determine the priorities between the additional programmes and to decide how far they could be accepted.

In discussion there was general agreement with the proposal to base the planning of public sector expenditure on an average annual rate of increase of 4½ per cent at 1964 prices. It was most important that all Departments, in preparing their programmes, should adopt the same basic price assumptions; and these should be provided by the Treasury. The country should be prepared for the implications of the Government’s proposals for public expenditure by being informed in advance of the very heavy increases in taxation that would have resulted from the commitments undertaken, but not fully explained, by the previous Administration. Difficult questions would arise in assessing the priorities to be given to the various blocks of expenditure, but at present it would be right to give greater weight to proposals assisting economic growth. Room would also have to be made for expenditure on proposals by the newly established Departments, particularly those which would lead to increased productivity in industry. It would also be necessary, in assessing priorities, to have regard to those sectors of public expenditure that would assist in implementing the Government’s policy for prices and incomes.

The increases in the basic programmes shown in the Appendix for the years 1964–65 to 1969–70 were based on existing commitments. This did not imply that the programmes should remain unchanged or that the priorities between the main sectors of expenditure were those that would be finally adopted. The extent to which the programmes could be amended, however, would vary from sector to sector: it might be difficult, for example, to make significant changes in some programmes before 1968–69 in view of the commitments entered into and announced for the intervening years; there might be other programmes, however, where changes could be made at a much earlier date. It would be for each Minister to decide the extent to which his basic programme could be amended to accommodate part, or the whole, of any additional proposals he might have. In so far as additional proposals could not be so accommodated, it would be for the Cabinet to determine whether they should form part of the proposed additional programme.

In further discussion the following points were made:

(a) The Secretary of State for Defence said that he accepted the desirability of containing the defence budget within the figure of £2,000 million at 1964 prices, although his understanding had been that this figure would not be reached before 1969–70, and that it should be held at that level through until 1975. He had managed to prune the increase in defence expenditure for 1965–66 from
5 per cent as envisaged by the previous Administration to 3.7 per cent; this figure would be further reduced to an increase of less than 1 per cent if the economies he had proposed in military aircraft were accepted. These economies would bring major savings in the longer-term, but the full reduction in defence expenditure of £350 million a year could only be achieved by a reduction in our defence commitments overseas. These were now being reviewed and proposals would be brought before the Cabinet later in the year; a number of difficult political decisions would be involved and there was little prospect that early savings could be achieved. It was argued, however, that this could mean that there would be little prospect of proceeding within the next few years with many of the Government's important objectives and that a more rigorous and realistic appraisal of our defence commitments should now be made in the light of the situation described by the Chancellor of the Exchequer.

(b) It should not be too readily assumed that cuts could be made in the existing roads programme. Less was spent in this country on roads per head of population than in any other industrialised country; it had been estimated that the economy suffered a loss of £350 million a year as a result of road congestion. There was greater Parliamentary interest in road development than in almost any other subject, but the many schemes that were urged upon the Government could not be accommodated even within the present programme whilst the Government's own plans for regional development, new towns, and urban renewal would all require additional road investment.

(c) it was suggested in the Appendix to C (65) 10 that for the purpose of preparing the basic programme for 1969–70, overseas economic aid should maintain its present proportion of gross domestic product, and that an additional programme could be submitted for achieving the Government's declared objective of increasing the proportion of national income devoted to essential aid programmes. There would need, however, to be further discussion of the figure to be adopted for the basic programme for 1969–70; this should be assessed in the light of the actual outturn for overseas aid in 1964–65 and the estimate of gross domestic product in 1969–70. It was arguable how far expenditure on aid involved a special burden on the balance of payments. Aid might in future be tied to a greater extent to United Kingdom goods, unless this could be shown to distort the development programme of a recipient country. On this basis the burden on the balance of payments need be no greater than that caused by other items of public expenditure. A joint exercise would be undertaken by the Departments concerned which should clarify the relationship between overseas aid and the balance of payments. Meanwhile, it was important to note that aid was a vital element in carrying out our overseas policies.

(d) The basic programme proposed for social benefits and assistance need not prevent consideration being given to additional social security schemes which would be financed from contributions
rather than by the Exchequer; any increase in contributions paid by the working population would, however, limit the extent to which they could also be expected to pay higher taxation.

(e) Considerable difficulties could be expected in matching the requirements of public expenditure and the proper use of the country's resources. This was illustrated by increased investment in public sector housing which would make relatively little call on the Exchequer but a major call on resources in the years in question. These resources, however, would be largely those used in industrialised building for which production capacity was being specially developed and which would be under-employed if public sector housing was to be restrained. The size of the future housing programme would be the subject of a separate submission to Cabinet in due course.

(f) The buoyancy of the revenue could be increased by changes in the tax system and the contribution that this could make to the problem of meeting increased demands for public expenditure should not be overlooked.

(g) Investment by the nationalised industries, which already formed a significant percentage of total fixed capital formation would need to increase greatly to meet the demands of a 25 per cent increase in gross domestic product.

Summing up the discussion, the Prime Minister said that the Cabinet accepted that the planning of public sector expenditure should be based on an average annual rate of increase of 4½ per cent at 1964 prices, and that the basic price assumptions used should be the same for all Departmental programmes. The Cabinet also accepted the proposals for the preparation of basic and additional programmes on the lines of the Appendix to C (65) 10. It was agreed that, in assessing priorities, greater weight would have to be given to proposals that would assist economic growth and, by the same token, proposals by newly established Departments which would lead to increased productivity in United Kingdom industry would also need to be accommodated. The size of the overseas economic aid programme should also be reviewed in relation to both public expenditure and the balance of payments. It was most important that whilst Departmental programmes were being reviewed no announcements should be made of new commitments for long-term expenditure without the approval of Cabinet. In assessing the programmes as submitted by Departments the Cabinet would also have to bear in mind the effect of their decisions in relation to public and overseas expenditure on the confidence of other countries in our ability to improve and strengthen the United Kingdom economy.

The Cabinet—

Approved the proposals in C (65) 10.
4. The Cabinet considered a memorandum by the Home Secretary, the Secretary of State for Scotland and the Minister of Agriculture, Fisheries and Food (C (65) 8) about the Farm Price Review.

The Minister of Agriculture said that under the Agricultural Acts of 1947 and 1957 the value of the guarantees to farmers might not be reduced in any one year by more than 2\(\frac{1}{2}\) per cent, i.e., approximately £38 million, less the net change in their costs. These had increased by about £28 million so that the minimum determination that it was open to the Government to make in the forthcoming review would be to reduce the guarantees by £10 million. The industry had also been assured by the previous Government that it would normally be left with a share of the annual gain from increased efficiency, at present assessed at £25 million. If the industry retained half, the guarantees would have to be increased by £15\(\frac{1}{2}\) million. He, the Home Secretary and Secretary of State for Scotland considered that these two figures set broadly the lower and upper limits for the forthcoming review. The former they regarded as politically indefensible, the latter as too generous in present economic circumstances; and an award of plus £10 million seemed to them appropriate.

Over the last 10 years agricultural productivity had increased each year by 5 per cent, output had gone up by 33 per cent and the labour force down by 25 per cent. Annual expenditure on food imports had been reduced by £250 million. The cost to the Exchequer of agricultural support had in recent years averaged about £300 million a year and in the present year was now estimated at £270 million. Farmers’ income was estimated to have increased in the current year by the amount of last year’s award, i.e., £31 million, and the farmers would regard this improvement as the first step towards their aim of increasing their income by 25 per cent—about £100 million—in the three years commencing 1964-65.

The production of cereals was increasing rapidly and cuts in the guaranteed prices were necessary to enable us to fulfil our obligations to our principal suppliers on imports. Eggs were in over supply and the guaranteed price should be cut. On the other hand, beef was in short supply, world supplies were inadequate and our domestic supplies diminishing. The profitability of beef production should therefore be increased while that of other meat production should be maintained. In addition it would be necessary to give further encouragement to milk production which had been falling off and despite increases in the guaranteed price in the previous two years showed as yet no marked signs of recovery. An increase in the guaranteed price of one penny per gallon was therefore recommended. Under present arrangements this would fall not on the Exchequer, but on the consumer. The rise in the retail price would not, however, exceed a halfpenny per pint for four months of the year.

Finally, it was important that this review should start to reorientate support so as to help those in special need and to improve the efficiency of the smaller farmers. A modest start should
be made in encouraging agricultural co-operation, in providing better credit facilities and in giving more help through the hill cow and hill sheep subsidies, which would assist the promotion of balanced regional development.

A review on these lines would create great disappointment among farmers and was unlikely to be agreed but in the existing difficult circumstances he and his colleagues considered it justifiable.

The First Secretary of State said that the settlement the previous year had been generous and in present economic circumstances a lower determination than that proposed in C (65) 8 would be appropriate. While it was not possible to settle in advance the precise outcome it would be preferable to start by proposing the maximum cut of £10 million. Otherwise he was in general agreement with the detailed proposals put forward, the impact of which seemed unlikely to have any substantial effect on incomes policy, save for the proposed increase in the price of milk. Moreover this might retain in being too many of the smaller and inefficient producers and might lead to a surplus of milk for liquid consumption which would have to be converted unprofitably to other uses. It might also be desirable to re-examine the case for a higher price for beef. More generally, there was need for a review of long-term agricultural policy to consider what was the desirable maximum saving of imports, how the subsidies should be distributed as between different farmers to produce a greater equality of incomes and how uneconomic smallholdings might be reduced, including the possibility of transitional payments to those abandoning them.

In discussion the following main points were made:

(a) The present Government were not bound by the undertaking of the previous Government that the industry would normally be left with a share of the annual gain from increasing efficiency. This would, nevertheless, be desirable as an incentive.

(b) Regard must be had to our international obligations to overseas suppliers and particularly to New Zealand in respect of our imports of butter.

(c) The proposed increase for beef should be further considered since it took several years to increase production and the present high level of prices had not yet taken effect.

(d) The proposed increase in the price of milk was necessary to maintain supplies which had only been kept at an acceptable level the previous year because of the exceptional weather. The number of producers was however continuing to decline and some factories had not been able to maintain their full production of butter and other milk products. On the other hand, it was suggested that the increase might reduce consumption and lead to excess production which would be economically damaging, especially in relation to our commitments to overseas suppliers of milk products. It might on this view be desirable to consider at least a smaller increase than that proposed.
Summing up the discussion the Prime Minister said that the details of the offer to be made could best be considered by the Ministers immediately concerned. Much would clearly depend on the progress of the negotiations. The Cabinet would, however, wish to decide what total offer should initially be made in the review and what was the maximum determination that would be acceptable. The issues should therefore be further considered in the light of the discussion by the Farm Price Review Committee and recommendations on these points put to the Cabinet.

The Cabinet—

(1) Invited the Chancellor of the Duchy of Lancaster to arrange for the Farm Price Review Committee to consider the issues further in the light of the discussion and to circulate a paper in accordance with the Prime Minister's summing up.

(2) Agreed to resume their discussion at a later date in the light of Conclusion (1).

Postal Tariffs

(Previous Reference: CC (65) 1st Conclusions, Minute 4)

5. The First Secretary of State recalled that the Cabinet had agreed, at an earlier discussion, that certain increases in Post Office tariffs, indicated in C (65) 1, should be brought into effect at an early date. Further consideration, however, suggested that it might be unwise, particularly in terms of the possible impact on the Government's policy for prices and incomes, to increase postal tariffs merely in order to liquidate a deficit which the Government had inherited from the previous Administration and that it might be preferable to continue to finance this deficit by borrowing until the current review of the efficiency of Post Office services in general had been completed and it was possible to judge how far tariff increases were still necessary.

The Postmaster-General said that a decision to this effect could not be easily justified. The Government were publicly committed to try to achieve the objective of a return of 8 per cent on the capital employed by the nationalised industries and therefore, by analogy, a similar return in the case of the Post Office; and, the longer they delayed the implementation of measures required for this purpose, the more difficult it would be to realise this objective. It would be necessary to publish, in a few weeks' time, the annual White Paper on the finances of the Post Office services. This would reveal the mounting deficit; and public opinion both at home and abroad would find it difficult to understand how the Government could allow this situation to continue, particularly when it was liable to be aggravated by the current wage claims of Post Office workers. Moreover, the details of the proposed tariff increases had already been sent to Head Postmasters throughout the country; and, although they were contained in sealed envelopes which were not

*Previously recorded in a Confidential Annex.
to be opened without further instructions and could, if necessary, be recalled, it might become known that the Government had already taken a decision which they were now attempting to revoke or to defer.

In discussion there was considerable support for the view that the earlier decision should stand and should be implemented as rapidly as possible. In particular, the Departmental Estimates which were due to be published in a few weeks would show a sharper increase in Government expenditure than in any previous year. In these circumstances the Government could not afford to be seen to neglect any reasonable means of effecting economies; nor would it be politically wise to allow public opinion to suppose that the consumer need not pay the economic price for the various services from which he benefited.

On the other hand the continuing public concern about the rise in prices suggested that it would be unwise to acquiesce in any price increase which was not clearly necessary and justified. There was no reason why the Government should feel obliged to liquidate an inherited deficit as well as to try to achieve the objective of an 8 per cent return on capital in respect of current operations. From this point of view it would be preferable to suspend judgment about the necessity for an increase in tariffs until the results of the current review of the efficiency of the Post Office services as a whole were available.

The Prime Minister, summing up the discussion, said that in principle the Cabinet's earlier decision to increase postal tariffs should stand. On the other hand it might now be more appropriate that these increases should be announced at the same time as the forthcoming Budget, the Government's apparent inaction in the interim being defended by reference to the review of the efficiency of the Post Office services, on which it might be advisable to call for an interim report by March. The instructions which had been sent to Head Postmasters should be withdrawn as unobtrusively as possible.

The Cabinet—
1. Reaffirmed their approval in principle of the proposals in C (65) 1 for increases in Post Office tariffs.
2. Agreed that the announcement of these increases should be deferred until the forthcoming Budget.

Poll Cards

6. The Home Secretary said that it was necessary to give Acting Returning Officers advice about the preparation of poll cards based on the new register which came into operation the following month. There was advantage in preparing the cards in advance of an election, since otherwise much work fell on the staff at the same time as other work of electoral preparation. The
potential wasted expenditure was only about £50,000. An attempt to withhold advice would cause speculation and the best course would be to tell the Acting Returning Officers to prepare cards if they thought fit.

Discussion showed general agreement with this view.

The Cabinet—

Agreed that the Home Secretary should advise Acting Returning Officers to prepare Poll Cards based on the new register if they thought fit.

_Cabinet Office, S.W.1,_

_28th January, 1965._
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Monday, 1st February, 1965, at 11 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister

The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs

The Right Hon. LORD GARDINER, Lord Chancellor

The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs

The Right Hon. SIR FRANK SOKSICE, Q.C., M.P., Secretary of State for the Home Department

The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland

The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade

The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science

The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster

The Right Hon. FRANK COWINS, M.P., Minister of Technology

The Right Hon. FRED PEART, M.P., Minister of Power

The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The Right Hon. KENNETH ROBINSON, M.P., Minister of Health

The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. R. J. GUNTER, M.P., Minister of Labour

The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government

The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. ROY JENKINS, M.P., Minister of Aviation

Mrs. EIRENE WHITE, M.P., Parliamentary Under-Secretary of State, Colonial Office

The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:

SIR BURKE TREND

Mr. P. ROGERS

Miss J. J. NUNN
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Prime Minister read to the Cabinet a letter from Lady Churchill, expressing, on behalf of herself and her family, her deep appreciation of the message of sympathy which the Cabinet had sent to her on the death of Sir Winston Churchill.

3. The Prime Minister said that the Prime Minister of Southern Rhodesia, Mr. Ian Smith, who had visited London for the funeral of Sir Winston Churchill, had called on him in the afternoon of Saturday, 30th January. Mr. Smith had clearly indicated that he regarded the respective views of the Governments of the United Kingdom and Southern Rhodesia as now virtually irreconcilable and that his main concern henceforward would be to seek some occasion on which he could plausibly maintain that provocative action by a third party justified Southern Rhodesia in making a unilateral declaration of independence. In the meantime he would endeavour, by implementing the existing procedure for amendment of the Constitution by means of a two-thirds majority in the Legislature, to alter the existing Constitution in an increasingly illiberal direction and so enable his Government to consolidate their position while ostensibly observing the letter of the Constitution. Mr. Smith had seen no merit in making a further attempt to ascertain whether the African population of Southern Rhodesia were genuinely anxious to embrace independence on the basis of the existing Constitution, on the ground that the African peoples were so unsophisticated and inarticulate that it would be unrealistic to seek to establish their views by any of the normal means of testing popular opinion. He had also shown that he resented our public statement of the constitutional and economic consequences which would be liable to follow any unilateral declaration of independence by Southern Rhodesia and that he was actively considering what counter-measures he could adopt in that eventuality. In particular, he appeared to have in mind the action which the Government of Southern Rhodesia might take to disrupt the copper industry in Zambia. It was therefore incumbent upon us to examine, as a matter of urgency, possible means of maintaining supplies of coal and power to the copper mines if these were denied by Southern Rhodesia and to consider by what methods we might most effectively exert economic pressure on Southern Rhodesia if it became necessary, in response to the pressure of international public opinion, to institute a virtual economic blockade of the Colony. At the same time we should make one further attempt to re-establish contact with the Government of Southern Rhodesia; and, since Mr. Smith had now rejected our proposal that a Parliamentary mission should visit the Colony and had indicated that discussions should preferably be
conducted at Governmental level, it would be appropriate that a small mission, consisting of senior members of the Government, should now be despatched to Southern Rhodesia, on the understanding that they would be allowed right of access not only to the European community but to any representative spokesman of African opinion who was not in prison on a criminal charge. The Lord Chancellor and the Commonwealth Secretary might appropriately constitute a mission of this kind; and they might be accompanied by a representative of the Ministry of Overseas Development on the understanding that negotiations between the United Kingdom and Southern Rhodesia about financial and technical assistance might now be resumed, although their progress would inevitably, in the circumstances, be slow.

The Cabinet—

(1) Took note that the Prime Minister would arrange, as a matter of urgency, for an examination of possible means whereby we might ensure the continued supply of coal and power to the copper mines of Zambia, if these were denied by Southern Rhodesia and of the various ways in which we might, if necessary, exert economic pressure against the Colony.

(2) Agreed in principle that a Ministerial mission, consisting of the Lord Chancellor and the Commonwealth Secretary, should visit Southern Rhodesia in the near future.

4. The Cabinet considered a memorandum by the Minister of Health (C (65) 9) on cigarette advertising.

The Minister of Health said that the current publicity about the danger of smoking cigarettes would be reinforced by an early announcement of a decision, foreshadowed by Labour Party spokesmen before the election, to prohibit the advertising of cigarettes on television. The prohibition would be imposed by the Postmaster-General in the exercise of his powers to issue directions to the Independent Television Authority. Measures in relation to other tobacco goods and to other advertising media were under consideration; but the Home Affairs Committee had agreed that it would be desirable to take this particular step without delay. It was proposed that an announcement should be made in reply to a Parliamentary Question on 1st February; and the Independent Television Authority and the Tobacco Advisory Board would be informed in confidence beforehand.

In discussion it was suggested that public concern about lung cancer had subsided to some extent and that it might be desirable to stimulate further public discussion of the problem before taking the relatively drastic step of prohibiting cigarette advertising on television. On the other hand both the public and the industry appeared to be expecting some action by the Government in the near future; and interest in the subject would be revived by current Government advertising on public transport and on television on the danger of
smoking cigarettes. Moreover the prohibition would not take effect for about three months after the announcement, because it was thought reasonable to allow time for existing contracts and stocks of advertising films to run out; and it would be unfortunate if the cessation of advertising were postponed still further. It would be important to lay emphasis on the need to restrain young people from acquiring the habit of smoking rather than to persuade older people to abandon it; and it would be necessary to stress the powerful influence which television advertising could exert on young people by associating cigarette smoking with attributes which they tended to admire. The impact of the proposed statement should be increased by quoting the rising number of deaths from lung cancer rather than the number of deaths which it was possible to attribute to cigarette smoking.

The Prime Minister, summing up the discussion, said that it was agreed that, despite the possible effect on the yield of the tobacco duties, cigarette advertising on television should be prohibited and that an announcement to that effect should be made in reply to a Parliamentary Question in the following week. In order to reinforce the impact on young people it would be useful to take some further initiative in the campaign in schools against smoking; and it would be desirable to stimulate discussion in the Press in advance of the announcement.

The Cabinet—
(1) Approved the proposals in C (65) 9, subject to further consideration, in the light of their discussion, of the statistics to be quoted in the statement in order to illustrate the danger of cigarette smoking.
(2) Invited the Lord President to consider how the interest of the Press in the problem of lung cancer might most effectively be stimulated in advance of the proposed announcement.
(3) Invited the Secretary of State for Education and Science to consider whether any further steps could be taken in schools to reinforce the campaign against cigarette smoking.

5. The Cabinet considered a memorandum by the Home Secretary (C (65) 12) about Commonwealth immigration.

The Home Secretary said that, despite the control over Commonwealth immigration which had been established in 1962, coloured Commonwealth citizens were now entering the country more rapidly than was consistent with their absorption into the community. The net intake during 1964 was 62,000, nearly 9 per cent higher than in 1960 when there had been no control. The demand for vouchers for employment, as an entitlement to admission, greatly exceeded the supply; and there was now substantial evasion of the control. The possibility of reducing the number of vouchers was being considered
by the Commonwealth Immigration Committee; but in the meantime steps should be taken to reduce the scale of evasion. This might not be achieved without further legislation which would require Commonwealth citizens to deposit identifying particulars with the immigration authorities and to register with the police and would empower the Home Secretary to repatriate without criminal proceedings a Commonwealth citizen who had outstayed the period for which he had been admitted. The Committee had been of the opinion, however, that in the first instance an attempt should be made to reduce evasion by making fuller use of the existing legal powers; and it was proposed that a Parliamentary statement to this effect should be made in the terms of the draft annexed to C (65) 12.

The Lord President said that, in addition, the Committee would shortly consider complementary proposals about the means by which Commonwealth immigrants could more effectively be integrated in the community as a whole.

The Commonwealth Secretary said that the consultations with other Commonwealth Governments on the subject of immigration, which had been initiated by the Government on assuming office, had not proved fruitful. Those Governments should, however, be informed beforehand of the terms of the statement to be made by the Home Secretary.

Discussion showed general agreement that a statement should be made on the lines proposed. The following main points were made:

(a) Housing was the most serious aspect of the problem created by uncontrolled immigration. From this point of view no measures to promote the integration of immigrants in the community could be effective until the level of immigration had been substantially reduced.

(b) The possibility of enabling our High Commissioners in other Commonwealth countries to check the credentials of emigrants more effectively was already being examined.

(c) Members of the immigrant communities themselves might be enlisted in the police forces in order to strengthen the control of evasion.

(d) The statement should emphasise the considerable scale on which evasion was currently taking place.

The Cabinet—

(1) Agreed that the Home Secretary should make a Parliamentary statement about Commonwealth immigration on the lines indicated in the draft annexed to C (65) 12.

(2) Invited the Home Secretary to give further consideration to the wording of the draft statement, in consultation with the Ministers concerned and in the light of the points made in discussion.

(3) Invited the Commonwealth Secretary and the Parliamentary Under-Secretary of State, Colonial Office, to arrange for Commonwealth and Colonial Governments respectively to be informed of the statement shortly before it was made in Parliament.
6. The Prime Minister said that the Defence and Oversea Policy Committee had now concluded their examination of the defence aircraft programme. He proposed, subject to the Cabinet's approval, to announce the resultant decisions in the course of the Parliamentary debate on the following day on a Motion of Censure by the Opposition.

The Committee had had to consider, first, the heavy cost of the commitments which the Government had inherited from the previous Administration; second, the most realistic means of meeting our defence requirements in the years ahead; and, third, the impact of changes in policy on the aircraft industry, particularly in relation to the degree of dependence on other countries which we could contemplate.

The Committee had concluded that the P-1154 should be cancelled. Even on present estimates of cost, which all experience suggested would rise still further, this aircraft would be more expensive than the United States Phantom. Moreover, it was not likely to be available by the date when it would be required; and, even if the project were maintained, it would be necessary to buy foreign aircraft for an interim period at heavy cost. In place of the P-1154 it was proposed to buy a limited number of United States Phantom aircraft and, at the same time, to develop the P-1127. It was possible that orders for the P-1127 would be placed by other countries in Europe.

It was proposed to adopt the Comet as a replacement for the Shackleton II. It was also proposed that the HS-681 should be cancelled. This project was still in an early stage of development; but even on initial estimates of cost the United States C-130, which would adequately meet the operational requirements involved, would only cost one-third as much per aircraft. Moreover, the C-130 was fully developed and available immediately. Here again, therefore, an interim purchase would be avoided. The impact of this decision on Messrs. Short and Harlands, who were sub-contractors for the HS-681, could not be mitigated by further uneconomic orders, e.g., for additional Belfast aircraft; but the possibility of providing alternative employment at Messrs. Short and Harlands' works, e.g., on Phantom assembly, would be urgently examined.

The TSR-2 presented the most difficult problem. This aircraft had originally been estimated to cost a total of £325 million (including £90 million in respect of research and development), i.e., an average cost for 158 aircraft of £2.1 million. This estimate had now risen to a total of £750 million or approximately £5 million per aircraft, an increase which illustrated the uneconomic character of the manufacture of military aircraft in the United Kingdom. Nevertheless, cancellation of the TSR-2 would clearly create both political and industrial problems, particularly as regards the resultant redundancy among the design teams. The Committee had therefore considered a compromise solution, whereby only 50 TSR-2s would be ordered together with an equivalent number of the United States TFX aircraft.
But this had been shown to be both uneconomic and impracticable from the operational point of view. It would be less unrealistic to substitute the TFX completely for the TSR-2, particularly since, although substantial dollar expenditure would be involved, the United States Government had offered us generous financial terms which would substantially alleviate the burden on our balance of payments. Both aircraft, however, were still subject to considerable uncertainties. The TSR-2 was facing a number of production problems which were not yet solved; and it was not certain whether the TFX Mark I would be superseded by the TFX Mark II, the cost and capabilities of which were not known. In these circumstances the Committee had been forced to the conclusion that research and development in relation to the TSR-2 should be allowed to continue for a further few months at a cost of £4 million a month, and that the final decision should then be taken in the light of the additional technical information about both aircraft which would become available during the interval, the more detailed assessment of the economic implications of cancelling the TSR-2 which would now be put in hand and the results of the comprehensive review of our defence requirements which was already in train. In any event, however, it would be essential that the future of the aircraft industry should be reviewed in order that it need no longer be dependent on a small number of very expensive military aircraft but might be redeployed on a more economic basis. From this point of view the possibility of initiating research and development projects in co-operation with other countries, particularly the United States, France and perhaps Germany, should be investigated.

The Chancellor of the Exchequer said that, while he recognised the force of the arguments which had led the Committee to recommend that the decision on the TSR-2 should be postponed for a short period, the delay should not be allowed to involve us in a virtual commitment to complete this aircraft since it would then become impossible to achieve our objective of reducing the Defence Budget to £2,000 million at 1964 prices in 1969–70. In that event the basis on which the Cabinet had recently decided to deal with public sector expenditure over the next few years would be undermined. Moreover, it was clearly necessary, on broader economic grounds, to reduce substantially the size of the United Kingdom aircraft industry.

In discussion it was suggested that the cancellation of all three aircraft might impose an unacceptable burden on the balance of payments and inflict irreparable damage on the valuable export capability of the United Kingdom aircraft industry. Moreover, a number of advanced technologists, who were at present employed in the design teams, might be compelled to seek alternative work in other countries. On the other hand the substitution of the TFX for the TSR-2 would not only provide a very substantial relief to the Exchequer but would also save resources to the value of some £1,300 million, which, if efficiently redeployed, should enable us to offset the dollar expenditure involved. On balance, however, it was agreed that it would be desirable to defer a final decision in respect of the TSR-2 for a limited period in order to provide time in which
it would be possible to assess more accurately the relative merits of the TSR-2 and the TFX and to consider in more detail the alternative research and development projects by means of which an economic aircraft industry could be maintained in the United Kingdom in the longer term.

The Cabinet—

(1) Agreed that the Comet should be adopted as a replacement for the Shackleton II.

(2) Agreed that the P-1154 and the HS-681 should be cancelled.

(3) Agreed that a decision on the TSR-2 should be deferred for a limited period.

(4) Took note that in this interval the comparative costs and capabilities of the TSR-2 and the TFX would be examined in relation to our defence requirements and to the economic implications of cancelling the TSR-2.

(5) Invited the Foreign Secretary, in consultation with the Chancellor of the Exchequer and the Secretary of State for Defence, to inform the United States Government of their conclusions.

(6) Took note that the Prime Minister would announce these decisions in the course of a Parliamentary debate on the following day.

7. The Cabinet considered a memorandum by the Secretary of State for Education and Science (C (65) 11) about the development of higher education.

The Secretary of State for Education and Science said that his predecessor had proposed to the Ministerial Committee on Social Services that an early announcement should be made that the Government had decided not to create additional universities in the next 10 years or to promote further institutions to university status, with the possible exception of an institution in the north-east of England; that the expansion of higher technical education should be promoted by encouraging the development of technological departments of existing universities and of the three specialised institutions, Imperial College, the Manchester College of Science and Technology and Strathclyde University, rather than by the creation of a special category of Special Institutions for Scientific and Technological Education and Research (SISTERS); that the objective of providing 390,000 places in higher education by 1973–74 was accepted; and that, as recommended by the Committee on Higher Education (the Robbins Committee), 122,000 of these places would be provided in colleges of education (111,000 in England and Wales) and 50,000 in technical colleges. A decision to allocate the
non-university places in this proportion would involve comparatively little fresh investment before 1970. Some members of the Committee on Social Services had thought that it was unwise to commit the Government to more than the general objective of providing 390,000 places in higher education until the study of public expenditure over the next five years had been completed. But it was important to announce the decisions about universities and SISTERs without delay in order to put an end to uncertainty about the Government’s intentions; and it would be desirable to announce the proposal to provide 122,000 places in colleges of education at the same time partly in order to offset the negative impact of the first two decisions and partly in order to anticipate a recommendation which was expected to be made shortly by the National Advisory Council for the Training and Supply of Teachers that the objective of 111,000 places in training colleges in England and Wales should be replaced by one of 120,000. Moreover, the acceptance of the objective of 122,000 places was the least the Government could undertake in view of the promise in The Queen’s Speech to give “particular priority to increasing the supply of teachers” and of the fact that even that figure would not enable classes to be reduced to a reasonable size by 1970.

In discussion attention was drawn to the difficulty of considering individual proposals for additional expenditure in isolation and in advance of the review of public expenditure as a whole in the period 1964–65 to 1969–70. The resources available to meet the demands of civil departments in this period would depend on the extent to which it proved possible to contain defence expenditure within the figure of £2,000 million proposed in the Annex to C (65) 10; and it would then be for the Government to consider the priorities to be established within the amounts available. It should not be assumed that they must accept the priorities and objectives adopted by the previous Administration, particularly where that Administration had not made provision for attaining the objectives in question. In view of these considerations, of possible demands for a further expansion of the universities and for the replacement of obsolete school buildings and of the risk of pressure to increase the number of places in technical colleges as well as in colleges of education, it might be wiser to confine the announcement to the decision on new universities and SISTERs and to indicate that the expansion of colleges of education would have to be further considered when the Government’s review of their commitments was complete and it was possible to judge the share of the national resources which should be allocated to education.

On the other hand, while pressure was to be expected for the expansion of higher education of all kinds, there was a good case for giving priority to colleges of education, since ultimately both education and economic expansion depended on an increase in the number of teachers in the schools. Moreover, there was reason to think that the cost of expanding the colleges of education could be accommodated within the 30 per cent increase in educational expenditure which the Cabinet had accepted as an appropriate assumption on which to prepare the basic Departmental programme (CC (65) 5th Conclusions, Minute 3).
In discussion of the draft statement appended to C (65) 11 the following points were made:

(a) As a matter of presentation emphasis should be laid not on the Government's acceptance of the objectives adopted by the previous Administration but on the fact that, whereas that Administration had not allocated resources to the achievement of the objectives, the present Government intended to do so.

(b) In the paragraph referring to colleges of advanced technology a reference to the Heriot-Watt College should be substituted for the reference to Central Institutions in Scotland.

(c) At the end of the last paragraph the words "with particular reference to the need to increase the supply of scientists and technologists" should be added.

The Prime Minister, summing up the discussion, said that, since it would be inconvenient to defer an announcement of the Government's intentions until the completion of the review of public expenditure in the period 1964-65 to 1969-70, the Secretary of State for Education and Science should consider, in consultation with the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster, how the proposed expenditure on the expansion of colleges of education could be accommodated, together with his other commitments, within his Department's basic programme, on the assumption that the increase in expenditure on education would be no more than 30 per cent during the five years in question. If this could be achieved, the Cabinet were prepared to authorise the Secretary of State for Education and Science to make a statement on the lines proposed in the Annex to C (65) 11, subject to further consideration of the drafting in the light of their discussion.

The Cabinet—

(1) Invited the Secretary of State for Education and Science to consider, in consultation with the Chancellor of the Exchequer and the Chancellor of the Duchy of Lancaster, how the proposed expenditure on the expansion of colleges of education could be accommodated, together with other commitments in the field of education, within a 30 per cent increase in educational expenditure in the period 1964-65 to 1969-70.

(2) Subject to Conclusion (1) above and to consideration of the points made in their discussion, approved the proposed statement on higher education annexed to C (65) 11.

Cabinet Office, S.W.1.
1st February, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Friday, 5th February, 1965, at 10:30 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs (Items 1-5)
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir FRANK SOKRICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power (Items 1-5)
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Item 6)
Mr. AUSTEN ALBU, M.P., Minister of State, Department of Economic Affairs (Items 5-7)

The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour (Items 1-4)
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P., Minister of Transport
The Right Hon. CHARLES PANSELL, M.P., Minister of Public Building and Works (Item 5)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. A. A. JARRATT
Mr. R. T. ARMSTRONG

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1. The Prime Minister informed the Cabinet that he had approved arrangements whereby the Chief Secretary to the Treasury, while continuing to assist the Chancellor of the Exchequer in relation to a wide range of Treasury business, would have a specific responsibility, under the general direction of the Chancellor of the Exchequer, in the field of public expenditure. In this field the Chief Secretary would exercise full Departmental authority in dealing with individual issues; and any dispute would therefore have to be referred for collective Ministerial decision, on the understanding that the Chief Secretary would, of course, be invited to attend the meeting of the Cabinet or appropriate Cabinet Committee at which the issue in question was considered.

2. The Prime Minister reminded the Cabinet that, now that major items in the Government's legislative programme were beginning to come forward in Parliament, it would be important for the Government to conserve their voting strength in the House of Commons. Ministers would appreciate, therefore, that there would be little opportunity in the near future to undertake extensive travel overseas; and it might be necessary, on occasion, to ask them to reconsider projects of this kind which were in contemplation.

3. The Foreign Secretary said that the latest information suggested that the attempted Right-wing coup d'état in Laos had been decisively defeated.

The Foreign Secretary informed the Cabinet that the Chairman of the Council of Ministers of the USSR, M. Kosygin, had embarked on a visit to North Vietnam. The purposes of this mission were obscure. But there were some grounds for supposing that the Soviet Government were now anxious to anticipate the Government of Communist China in providing additional air defence equipment to the Government of North Vietnam; and they might also be concerned to warn that Government afresh of the dangers of any intensification of military action against South Vietnam which might bring them into direct conflict with United States forces. It was not impossible, therefore, that M. Kosygin's visit would prove to be the prelude to some new proposal for a negotiated settlement of the dispute between North and South Vietnam.

In South Vietnam M. Huong, the head of the Government which had recently been overthrown by a military coup d'état, had sought refuge in the house of HM Representative. This had created a potentially embarrassing situation; but the military faction currently in power appeared ready to acquiesce.
The Foreign Secretary said that the dispute about the application of Article 19 of the Charter of the United Nations remained unresolved; and the General Assembly had once again been compelled to adjourn. When it reassembled in the following week it would probably decide to appoint a conciliation commission in order to examine the constitutional and financial problems of peace-keeping operations in the future; and we should keep in close touch with the United States Government in endeavouring to secure for this commission the most favourable basis of operation. There was as yet no indication that the Soviet Government would co-operate in finding a compromise solution; but, provided that in the last resort we stood firm on the basic principle enshrined in Article 19, we should neglect no means of trying to save the General Assembly from continuing deadlock and, perhaps, eventual dissolution.

In discussion there was general agreement that further consideration should be given to the possibility that we might need to take some positive initiative of our own in this connection.

4. The Cabinet considered a memorandum by the First Secretary of State and Secretary of State for Economic Affairs (C (65) 16) reviewing the progress that had been made in establishing a policy for prices and incomes and describing the prospects for prices and incomes in 1965.

The First Secretary of State said that he hoped by 10th February to have secured the agreement of the Trades Union Congress (TUC) and the four employers' organisations to the establishment of a National Prices and Incomes Board, to be set up in the first place under Royal Warrant. The Board would be charged with the duty of examining particular cases of movements of prices and of incomes. The members of the Board would preferably consist of a trade unionist, a representative of industry, an accountant, a lawyer and an independent individual to represent the general consumer interest. The TUC and employers' organisations would also nominate panels from which members could be selected to sit as assessors with members of the Board in dealing with particular cases. The Board would work by means of a Prices Division and an Incomes Division, in such a way that each Division could deal with more than one reference at a time.

While the Board was being constituted and staff were being assembled, he would proceed to discussions with representatives of the TUC and the employers' organisations and thereafter with the National Economic Development Council (NEDC) on a "norm" for incomes and on the criteria for assessing individual movements of prices and incomes. The agreed criteria would be formally conveyed to the Prices and Incomes Board and would be published. It was to be expected that the criteria themselves and the findings of the Board on particular cases would influence the decisions of negotiators, arbitrators and review bodies working within existing machinery.
The prospect of an increase of well over 5 per cent in hourly wage rates and of a rise of 3½ per cent or more in the retail price index in 1965 was disquieting. But it would be essential to create and maintain confidence in the proposed new machinery if it was to be of long-term value; and this would require that it should not be used in a way which would undermine confidence and that any changes in existing arrangements for the determination of prices and incomes should be introduced only very gradually. It would not be realistic, therefore, to expect rapid or striking results.

If the Cabinet endorsed these proposals, he would propose to announce on Thursday, 11th February, or as soon as possible thereafter, that agreement had been reached on the new machinery; to present as a Command paper the final version of the draft statement appended to C (65) 16; and to proceed with the action necessary to constitute the new Board.

In discussion the following main points were made:

(a) Paragraph 6 of the draft statement expressed the belief that the parties concerned would give the new Board voluntary co-operation in its investigations of particular cases; but it also indicated that the Government would have to consider giving the Board statutory authority for this purpose, if experience showed this to be necessary. In addition, paragraph 18 of the statement undertook that the Government would rely on persuasion and the pressure of public opinion in order to ensure acceptance of findings and recommendations of the Board and that they would resort to other methods only if they were convinced that the voluntary method had failed. These references had been agreed by the General Council of the TUC. The precise wording of the relevant paragraphs might be re-examined in order to ensure that the references to statutory powers were not over-emphasised and that the Government were seen to be free to employ "other methods" in order to secure compliance with an effective policy for incomes and prices. It might be sufficient, for example, to rely, for the purposes of investigation, on the power to call for accounts and other information with which the Board could presumably be invested by the Royal Warrant. Alternatively, a Select Committee of the House of Commons might be established to examine prices in the private sector, just as the Select Committee on Nationalised Industries reviewed pricing policy in the public sector.

(b) In this and other respects, however, the Government would retain the necessary freedom of manoeuvre since the initiative in referring particular cases to the Board would rest in their hands. At the outset it would probably be desirable to refer one or two outstanding cases of price increases; on the incomes side, it might be best to start by referring cases where they appeared prima facie to be good arguments for an increase above the norm.

(c) The relationship envisaged between the new machinery and the existing machinery for dealing with wages and salaries in the public services was not clear. Employees in most public services had
long-established and well-defined machinery for negotiation or review of pay and for arbitration in the event of disputes. It might be necessary to reassure public opinion that the Government did not contemplate any precipitate interference with that machinery.

(d) Certain nationalised industries had recently increased prices in order to achieve the financial objectives set for them by the Government in Cmd. 1337. These industries were required to consult both the responsible Minister and a Consumer Council before increasing prices. It would be important to bear these points in mind in considering whether to refer a price increase in a nationalised industry to the new Board, although there might well be cases in which nationalised industries would welcome a reference to the Board as providing them with an opportunity to explain the reasons for their price increases to the public.

(e) The maintenance of confidence in the new policy and machinery would depend on proceeding by consent. The gradual approach which this implied suggested that the new machinery could not be relied upon to make any substantial contribution to the regulation of demand in 1965. It might be necessary, therefore, to rely on other measures if (as seemed probable) it was desirable to moderate the pressure of demand in that year.

The Cabinet—

(1) Took note of the memorandum by the First Secretary of State and Secretary of State for Economic Affairs (C (65) 16) on the progress which had been made towards establishing a policy for prices and incomes.

(2) Invited the First Secretary of State to announce the Government's decision to establish the Prices and Incomes Board as soon as agreement had been reached with the employers' organisations as well as the TUC and to present to Parliament a Command paper on the lines of the draft appended to C (65) 16, revised to take account of the points made in their discussion and as might otherwise be necessary.

5. The Cabinet had before them memoranda by the First Secretary of State and the President of the Board of Trade (C (65) 13 and 14 respectively) about a proposed new town for Manchester.

The First Secretary of State said that the Economic Development Committee had been unable to reach agreement on the proposal to provide a new town for Manchester. Exhaustive examination had shown that a limited degree of housing development at Risley would provide some remedy for the problem of slum clearance in Manchester but that it would also be desirable to establish a larger new town at Leyland/Chorley, which would provide opportunities of employment as well as of residence. For this purpose, however, it would be necessary to provide financial incentives of a kind currently available only in relation to development districts. This would require additional
legislative authority and would admittedly represent an innovation of policy as regards the distribution of industry; but the majority of the members of the Economic Development Committee had been convinced that it would not be realistic to seek to postpone all decisions about the encouragement of economic growth in the rest of the country until the task of rehabilitating development districts was complete.

The President of the Board of Trade said that it must continue to be the Government's main purpose to make the fullest use of the country's labour resources and, therefore, to seek to persuade industry to establish new branches in areas of high unemployment. This purpose would be liable to be frustrated if industry were provided with financial inducements in relation to other areas as well. Since it would be necessary, in any event, to formulate new legislation in the near future in order to replace the Local Employment Acts, which would expire in March 1967, a review of distribution of industry policy as a whole had been put in hand; and it would be advisable to refrain from any commitment in respect of the proposed new town at Leyland/Chorley in anticipation of the outcome of this report. The results of the regional study of the North-West, which was currently in train, would also be relevant to the decision.

In discussion it was suggested that a decision in favour of the proposed new town might provoke resentment in other areas of the country, particularly in Scotland and Wales, which had stronger claims than Manchester to be provided with additional incentives to industrial growth. The drift of population from these areas was already serious and would be liable to be aggravated if the Government were to appear to attach greater importance to attracting industry to an area where there was no comparable need to take special steps in order to bring unused resources into employment. Moreover, it would not be possible to take realistic decisions on the priorities to be observed in the distribution of industry until the national economic plan and the accompanying regional plans had been completed and the needs of the country could be estimated as a whole. Meanwhile it would be unjust to allow new growth points to be created on a piecemeal basis, in response to individual local pressures; and it might also be uneconomic to attempt to solve the problems of Manchester in two separate stages—i.e., initially by a short-term and limited development at Risley and subsequently by a longer-term and more comprehensive development at Leyland/Chorley. It would be preferable to defer a decision until the comprehensive plan for the North-West of England had been completed; and it might then be seen to be wiser to concentrate resources primarily on large-scale development at Leyland/Chorley.

On the other hand it was now urgently necessary to provide some means of expediting slum clearance in Manchester; and the development of Risley, although of only limited value in this connection, offered the best prospects in the immediate future, especially since it might be combined, in the longer-term, with the
Prices and Incomes Policy
Doctors’ Pay

development of Warrington on a twin-town basis. It would be very desirable, however, to provide, in addition, a new growth point near Manchester in order to demonstrate to public opinion that the Government were in earnest in promoting industrial development throughout the whole country and that they were as concerned to stimulate growth in the North-West as in the South-East, in respect of which they had recently announced their proposals.

The Prime Minister said that it appeared to be generally agreed that the balance of advantage lay in implementing the proposal for a new town at Leyland/Chorley, provided that this was presented primarily as the second stage in a plan to meet the housing needs of Manchester (of which the development of Risley would be the first stage) and that no reference was made at this point to the possibility that the Government might seek fresh legislative authority to provide, in this and other similar areas, the financial incentives to attract industry which should preferably be directed to areas of relatively high unemployment, such as Scotland and Wales. The industrial content of the new town should therefore be provided, so far as possible, by the transfer of industry and offices from Manchester itself.

The Cabinet—

Approved C (65) 13 on the basis indicated by the Prime Minister in his summing up of their discussion.

6. The Minister of Health said that the Sub-Committee on Prices and Incomes of the Economic Development Committee had invited him to report to the Cabinet their conclusion that recent recommendations by the Review Body on Doctors’ and Dentists’ Remuneration for an increase of about 9 per cent in the average net income of general medical practitioners should be accepted.

The increase recommended by the Review Body would cost £5½ million in a full year, although the additional sum required in 1965–66 would be between £1 and £2 million. The Review Body had recommended that the additional money should be drawn upon so far as necessary to finance the introduction of new schemes for partial direct reimbursement of certain practice expenses, to which the Health Departments attached importance as a means of encouraging good practice. Most of the £5½ million would be needed for this purpose; and the amount available for a general increase in remuneration would permit an increase of not more than 6d. in the capitation fee. The recommendation on net income, which the Review Body related to the increase in workload resulting from the decline in the ratio of general practitioners to total population, would disappoint the profession, which had claimed an increase of about 23 per cent in net income, costing about £15 million, together with seniority payments which would have cost about another £5 million. The profession would also be disappointed that the Review Body had recommended that the additional remuneration should be directly linked with the schemes for reimbursement of practice expenses. It was therefore by no means certain that they would accept...
the recommendations. If they did not do so, a serious situation would develop. If there was a risk of such a situation, however, the onus should be seen to fall upon the profession, not on the Government; and this was an additional material argument in favour of the Government's accepting the recommendations without qualification.

The Review Body had also expressed the hope that the Government would consider sympathetically a revision of the terms upon which compensation for loss of practice goodwill was payable to doctors, whereby compensation would be payable at a fixed age, whether or not a doctor had retired. The Sub-Committee on Prices and Incomes had considered that the Health Ministers should be authorised to propose that compensation should be payable at the age of 70 only if the immediate additional cost of £1½ million in 1965-66 could be met by savings elsewhere in National Health Service Votes. The Health Ministers had carefully considered this suggestion but were unable to find savings of this order in their Estimates. It might therefore be desirable to inform the profession that the Government would pay compensation at the age of 70, whether or not a doctor had retired, as soon as economic circumstances permitted.

In discussion the following main points were made:

(a) The proposed increase in net income was potentially embarrassing in relation to the incomes policy which the Government were about to launch. The increase of 9 per cent would follow an increase of 14 per cent in April 1963 which had been intended to suffice for three years; and a further review of the pay of doctors and dentists in the National Health Service (including general practitioners) was due in 1966.

(b) Moreover, the announcement of this increase would be liable to complicate the pending negotiations on the pay of school teachers in England and Wales. In particular, it would make it even more difficult to insist that a three-year agreement for Scottish teachers, reached in April 1963, should be allowed to run its course. The increase could also be embarrassing in relation to the recent settlement in the engineering industry, which covered a period of three years. In any announcement, therefore, it should be emphasised that the increase was linked to the increase in "output" resulting from the higher workload of general practitioners and that it represented an incentive to schemes for improving general practice rather than an increase in remuneration as represented by the capitation fee.

(c) To promise payment of compensation at 70 "when economic circumstances permitted" might encourage the profession to press for the implementation of this promise after an unduly short interval; and, once the original concession had been made, there would subsequently be constant pressure to extend it by reducing the age at which compensation became payable. At most the Health Ministers should indicate that in current economic circumstances it was not possible for the Government to accede to the proposal but that they would be prepared to reconsider it, without commitment, in 12 months’ time.
The Prime Minister said that the increase in net income recommended by the Review Body was potentially embarrassing in relation to the Government's incomes policy. It was clearly difficult, however, for the Government to reject the recommendation of an independent Review Body, particularly given the present climate of opinion in the profession. The general view of the Cabinet, therefore, was that the recommendation must be accepted.

The Cabinet—

(1) Agreed that the recommendations by the Review Body on Doctors' and Dentists' Remuneration on the remuneration of general medical practitioners should be accepted.

(2) Invited the Health Ministers to indicate to the medical profession that, while the Government sympathised with the motives for the suggestion that compensation for the loss of practice goodwill should become payable at a fixed age, whether or not a doctor had retired, they were unable in present economic and financial circumstances to make any concrete proposal but would be prepared, without commitment, to reconsider the matter in 12 months' time.

7. The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (C (65) 15) on the 1965 Farm Price Review.

The Chancellor of the Duchy of Lancaster recalled that the Farm Price Review Committee had been asked to consider the issues involved in the forthcoming Review and to make recommendations to the Cabinet both on the offer to be made initially and on the maximum determination which would be acceptable. The Committee had been unable to reach agreement on these issues. The Agricultural Ministers considered that the Government's opening offer in the negotiations should be an increase of £3 million in the value of the price guarantees. This would be regarded by the farmers as a "break even" offer, since, on the basis of an increase in efficiency estimated at £25 million, it would only suffice to cover the increase in costs which had taken place in the last year. Moreover, it would provide no improvement in farmers' incomes; and they would be bound to object to it in this respect, in view both of the assurances which they had received from the previous Government and of their own objective of increasing their income by 25 per cent in the three years beginning 1964-65. The Agricultural Ministers would, therefore, wish to be able finally to offer an increase in the guarantees of about £10 million; this, in their view would be a defensible offer, even though it was unlikely to achieve an agreed review.

The economic Ministers considered that the Government should start by proposing the maximum permissible reduction in the value of guarantees, amounting to £10 million. Some of them considered that this figure should also be the ultimate determination. They maintained that the previous year's determination had been

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exceptionally generous in that it had increased farming incomes by 15 per cent and the average farmer's income by more than that amount. Even over two years such an increase was inconsistent with the Government’s incomes policy.

A minimum determination on these lines would imply that there would be no increase in the guaranteed price of milk, whereas the Farmers’ Union were expected to seek an increase of 6d. a gallon. The Agricultural Ministers would wish, either at the opening or during the course of negotiation, to be able to offer an increase of 1d. a gallon, which would imply an increase in the price of milk to the consumer of 3d. per pint for four months during the next financial year. They feared that, in the absence of such an increase in the guaranteed price, milk production might decline to a point where seasonal local shortages developed. The total number of dairy cows was now lower than in 1963–64 and the number of heifers in calf was declining. Moreover, the higher price and world shortage of beef increased the temptation to farmers to slaughter dairy cows for beef and to substitute beef production for milk production. The economic Ministers, on the other hand, suggested that the total increase of 3d. a gallon in the guaranteed price of milk in the last two years had not yet had its full effect in increasing production. Moreover, liquid consumption accounted for only 70 per cent of farm sales of milk, the rest being used in the manufacture of milk products; and, while some margin between liquid consumption and farm sales was necessary in order to ensure adequate and continuous supplies, the present margin was historically high. For these reasons an increase in the guarantee should be conceded only if it became clear in the course of negotiations that to refuse it altogether would imperil supplies of liquid milk.

The future guaranteed price of fat cattle was also a subject of disagreement. The Agricultural Ministers felt that, in view of the continuing strong demand for beef on the world market and the absence of any indication of an increase in supplies, it would be necessary to increase the guaranteed price in order to stimulate production. The economic Ministers, however, suggested that imbalance in supply and demand in this field tended to correct itself relatively quickly and that financial inducements to increase production were unnecessary. Moreover, an increase in the guaranteed price of fat cattle without an increase in the guaranteed price of milk would accentuate the risk that the emphasis of production would change from milk to beef.

The Government’s negotiating position, however, would need to be determined as much by the extent to which they were prepared to face a major dispute with the farmers as by these conflicting economic considerations. It would seem to be unwise to start the review with a minimum determination, since the farmers would be unlikely to be willing to continue negotiations at all on this basis. It might be preferable, therefore, that the Government should indicate initially that, although there was a very strong case in present
circumstances for proposing a minimum determination, they were prepared to make "without prejudice" an offer of an increase of £3 million in the guarantees. It might be worth raising this figure to £10 million as the final offer, provided that the outcome of the review was agreed on this basis and was acceptable in other respects. In default of agreement, however, the Government's position would be fully reserved; and the Cabinet would need to consider the figure at which they would impose a determination. The decision on milk could be allowed to evolve during the course of negotiations. But it would be unrealistic to oppose a relatively small increase in the price of milk when there had been significant increases in wages and prices elsewhere in the economy; nor was there any evidence to support the suggestion that the consumption of milk would fall if its price rose by 4d. per pint.

The Minister of Agriculture said that a negotiating position on the lines proposed by the Chancellor of the Duchy of Lancaster could be justified as reasonable in present circumstances. At an appropriate moment, possibly in the White Paper on the Farm Price Review, he would announce that a major inquiry would be held into the costs of milk distribution; and this should help to offset criticism of any increase in the guaranteed price which might finally be agreed. The Chancellor of the Exchequer emphasised that the previous Administration had reserved the right to make the minimum statutory determination in exceptional circumstances. At the present time the demands for increased public expenditure were very great: and the sum of £20 million, representing the difference between the minimum permissible determination and the final offer now proposed could be applied to greater advantage elsewhere. Moreover, an offer "without prejudice" would be doubtfully appropriate to this type of negotiation, particularly since it seemed likely that the final settlement would be by determination rather than by agreement. It would therefore be preferable to open negotiations at a figure nearer the minimum determination and to be prepared, if necessary, to settle at no more than a "break even" offer of a £3 million increase in the guarantees.

Discussion showed a division of view about the basis on which the Farm Price Review should be conducted. On the one hand it was argued that there would be no prospect of even beginning negotiations unless the opening offer was on the lines proposed by the Chancellor of the Duchy of Lancaster; and that an increase in the guaranteed price of milk was essential in order to ensure supplies of liquid milk and to prevent dairy cows from being slaughtered for beef. On the other hand, the need to secure economies was no less in the case of agriculture than in the case of other programmes of expenditure which the Government had inherited. Moreover, an increase in the guaranteed price of milk would be liable to result in an increase of butter production; and this would be unwelcome to Denmark, New Zealand and Australia, who were our main suppliers. In any event the timing of any increase in the guaranteed price of milk would need very careful consideration in view of its possible effect upon wage rates which were determined by increases in the cost of living.
The Prime Minister, summing up the discussion, said that the balance of opinion appeared to incline in favour of opening the Farm Price Review negotiations with an offer of an increase of £3 million in the guarantees; but views were divided about the figure at which the negotiations should be finally settled or determined. The Farm Price Review Committee should now consider the content of an increase of £3 million in the guarantees; and the Cabinet should be given a further opportunity to consider, in the light of the progress made in the negotiations, the final offer to be made.

The Cabinet—

(1) Took note of C (65) 15.

(2) Invited the Chancellor of the Duchy of Lancaster to arrange for the Farm Price Review Committee to consider the basis on which an initial offer of an increase of £3 million in price guarantees should be made in the Farm Price Review negotiations.

(3) Invited the Chancellor of the Duchy of Lancaster to arrange for the Cabinet to be consulted further, in the light of the course of the negotiations, about the final offer to be made by the Government.

Cabinet Office, S.W.1
5th February, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Monday, 8th February, 1965, at 11 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, O.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power

The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport

The following were also present:

The Right Hon. Roy Jenkins, M.P., Minister of Aviation (Items 1-2)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Mrs. Eirene White, M.P., Parliamentary Under-Secretary of State, Colonial Office (Item 2)

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Mr. D. S. Laskey
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1. The Prime Minister said that on 2nd February Hawker Siddeley had proposed that instead of the C-130 the Government should buy a newly designed plane, the HS-802 consisting of Comet engines and wings with the HS-681 fuselage. The firm had been told that their suggestion would be considered if in three days they had put forward detailed proposals including a guaranteed price and guaranteed delivery dates. Such proposals had been submitted on the morning of 5th February and had been examined by the Chancellor of the Exchequer and the Ministers principally concerned on the same evening.

The Minister of Aviation said that the HS-802 would have a slightly better performance than the C-130 as regards speed and operational ceiling. The total capital cost would be higher, about £113 million as against £79 million, and there would be additional maintenance and operating costs amounting to about £50 million over 10 years. The C-130 would be available about two years earlier. The HS-802, which was not significant for the technological advance of the industry, would not offer much work for design teams but it would offset redundancies in the production staff caused by the cancellation of the P-1154 and the HS-681. Indeed in two or three years the labour force in Hawker Siddeley would be larger than it was at present. In the long term the effect would be to give a virtual monopoly in the aircraft industry to Hawker Siddeley in airframe construction and to Rolls-Royce in engine manufacture.

The Secretary of State for Defence said that the adoption of the HS-802 would add £50 million to the defence budget over the next five years. From the defence point of view the C-130 was preferable, not only because it was cheaper but also because it would be available two years earlier. Moreover, it was a tested plane and more reliable than we could reasonably expect any new aircraft to be. It would fully meet operational needs and the extra performance of the HS-802 was relatively unimportant to our defence transport requirements. A further advantage of the C-130 was that the number of planes we eventually purchased need not be decided yet, whereas an order for the HS-802 would commit us to take the full number specified at the outset of production.

The Chancellor of the Exchequer said that the terms worked out with the United States Government for the purchase of United States aircraft were exceptionally favourable. Dollar payments over the first five years would be kept to a minimum and would be spread evenly over the ensuing seven years. He had agreed with the United States Secretary of the Treasury that the interest rate for the dollar credit required would be reduced from 5 per cent to 4½ per cent. These terms would not be affected by the decision to defer the choice between the TSR-2 and the TFX but if we now sought to modify the agreement still further and not purchase the C-130 we could not reasonably expect that such favourable terms would be maintained. This could affect not only the credit terms but also the adoption of
the United Kingdom components for the Phantom and the assembly of some of the Phantoms in the United Kingdom. This could add as much as £85 million to the dollar cost of the Phantom order.

In discussion the following main points were made:

(a) No decision need yet be taken about the distribution of work in the United Kingdom on the assembly of Phantoms. It would be desirable that Short Brothers and Harland should have a share if the additional cost were not too heavy, and the British Aircraft Corporation would also have a claim if the TSR-2 were cancelled.

(b) The proposal for the HS-802 had been produced at very short notice and there had been insufficient time fully to evaluate it. However, in the case of all Hawker Siddeley's earlier projects, costs had increased and delivery dates had slipped in the course of development.

(c) It had been suggested that the Government should announce more detailed plans about redeployment and retraining for surplus labour in the aircraft industry. In fact, however, it was not yet known what needed to be done or whether, indeed, there would be any substantial problem unless the TSR-2 were cancelled. Hawker Siddeley had announced that there would be redundancies of 14,000 owing to the cancellation of the P-1154 and the HS-681. The true figures were that 3,000 men were now employed on these two projects and that this figure would have risen to 9,000 by the end of 1965. New projects were expected to absorb 1,300 by the same date, leaving a gap of 7,700. The figure of 14,000 had been reached by adding 6,000 who were already or would shortly become redundant for reasons unconnected with the Government's decisions. Redeployment which was desirable on broad economic grounds could not take place without dislocation and Hawker Siddeley might have to close a factory at Coventry. Other firms in the area, including motor manufacturers, were, however, short of labour to the extent of being unable to meet export orders and could absorb production staff from the aircraft industry with little or no difficulty.

(d) In announcing the Government's decisions about the aircraft programme it had been accepted that the aircraft industry should be reduced in size in order to free resources for more profitable employment. If the HS-802 were adopted in order to avoid the difficulties of redeployment, the Government would be abandoning a fundamental principle of their economic policy as a result of surrender to pressure from the industry.

The Prime Minister, summing up the discussion, said that there was a conclusive case for adhering to the decision to purchase the C-130. The defence arguments about delivery dates and the reliability of the aircraft were particularly important and these were reinforced by the financial considerations. Pressure should be maintained on Hawker Siddeley in regard to redeployment since it was not acceptable that a company which relied so heavily on Government money should follow a policy of redeployment which had no regard to social considerations.
The Cabinet—

Agreed that the decision to adopt the C-130 in place of the HS-681 should be maintained.

2. The Cabinet considered a memorandum by the Foreign Secretary (C (65) 18) about Gibraltar.

The Foreign Secretary said that in the previous autumn the United Nations Committee of Twenty-four had adopted a consensus inviting the United Kingdom and Spain to find a negotiated solution. This had been immediately followed by the imposition of restrictions by the Spanish authorities on transit of the frontier between Spain and Gibraltar. These had been lifted a week later; but they had been reimposed at the end of October, immediately after our decision not to participate in the SPANEX exercise and had since been extended. Repeated representations by HM Ambassador had been ineffective.

The ultimate purpose of the Spanish Government was undoubtedly the recovery of Gibraltar; and they had been genuinely disturbed by the decision of the United Kingdom Government to grant a further measure of self-government to the Colony in April 1964, an act which they argued was contrary to the provisions of the Treaty of Utrecht that, if the Crown of Great Britain should alienate therefrom the propriety of Gibraltar, "the preference of having the same shall always be given to the Crown of Spain before any others". They had accordingly intimated that the present restrictions might be abandoned if we were ready to hold discussions about Gibraltar without preconditions. HM Ambassador had been instructed to reply that, while we could not regard the question of sovereignty over Gibraltar as a matter for negotiation, we had at no time wished to insist on preconditions in a manner which would prevent discussions from starting.

There appeared to be no further diplomatic action which we could usefully take for the time being. Meanwhile, the counter-measures which we might take in retaliation for the restrictions were examined in the Annex to C (65) 18. But, apart from the possibility that we might arrange a non-attributable Press campaign against Spain, any reprisals would be likely to inflict at least as much damage on our own interests as on those of Spain. In particular, our rapidly expanding exports to Spain would be at risk; and our defence interests which might also suffer. It would therefore be preferable to try to deal with the problem of Gibraltar in isolation and to concentrate our efforts on positive measures designed to support the economy of the Colony in such a way as to demonstrate that we had no intention of yielding to duress.

The Parliamentary Under-Secretary of State, Colonial Office, said that the considerable increase in recent years in the tourist trade in Gibraltar had made both the budget of the local Government and the personal incomes of the inhabitants more vulnerable to the pressure now being exerted by the Spanish restrictions; and the Chief
Minister of the Colony was perturbed that so far no positive steps had been taken by the United Kingdom Government to maintain Gibraltar's interests.

Discussion showed general agreement that it would not be in the interests either of the Colony or of the United Kingdom that our relations with Spain should deliberately be exacerbated or that we should initiate measures which might lead to mutual economic retaliation. At the same time it was essential that we should give Gibraltar all the help and support in our power.

In further discussion the following main points were made:

(a) The inhabitants of Gibraltar had no desire to achieve complete independence, since they realised that their safety and prosperity depended on their continued relationship with the United Kingdom. It might be helpful, therefore, to let it be known to the Spanish Government that there was no question of the Colony's being accorded an independent status similar to that which had recently been granted to Malta.

(b) It might be desirable to consider what measures could be taken, whether by the Royal Navy or otherwise, to dissuade the Spanish Government from enforcing their recent requirement whereby ships bringing fresh fruit from Tangier to Gibraltar were being diverted to Spanish ports and retained there until the fruit became unmarketable.

(c) Further action should be taken to strengthen the economy of Gibraltar, particularly by extending the housing programme in order to accommodate refugees who had been evicted by the Spanish Government from their houses in Spain. The possibility of releasing for this purpose land at present held by the Navy Department should be examined urgently.

(d) Action should also be taken to ensure that supplies of oxygen would continue to be available for use in hospitals.

(e) Further consideration should be given to the most appropriate means of dealing with certain outstanding proposals which might be of benefit to Spain or Spanish nationals, e.g., a request for recognition of Spanish fishing rights in United Kingdom waters and a suggestion by British European Airways that fares for air travel on the London–Malaga route should remain at their present level while fares on the London–Gibraltar route should be increased. It would not necessarily be to our long-term advantage to seek to use these opportunities as a means of retaliation against the Spanish restrictions; but we need not be unduly concerned, in present circumstances, to expedite any action which would be to Spain's advantage.

(f) It might be desirable to demonstrate the Government's sympathy with the inhabitants of Gibraltar by arranging for a United Kingdom Minister to visit the Colony in the near future.

The Cabinet—

(1) Invited the Parliamentary Under-Secretary of State, Colonial Office, to arrange to visit Gibraltar at an early date.
(2) Invited the Secretary of State for Defence to consider, in the light of their discussion, the most appropriate means of ensuring the unhindered transit of vessels carrying foodstuffs to Gibraltar; and to examine, as a matter of urgency, the possibility of releasing Navy Department land in the Colony for the construction of civilian housing.

(3) Invited the Foreign Secretary to consider further, in the light of their discussion, the balance of advantage in initiating a non-attributable Press campaign against Spain on the lines indicated in the Annex to C (65) 18.

(4) Invited the Minister of Aviation to be guided by the general sense of their discussion in dealing with the current application by British European Airways in relation to air fares to Spain and Gibraltar.

(5) Invited the Secretary of State for Scotland and the Minister of Agriculture to give further consideration to the application of Spanish fishermen for the recognition of fishing rights in United Kingdom waters on the lines suggested in their discussion.

(6) Invited the Lord Chancellor, in consultation with the Foreign Secretary, the Attorney-General and the Parliamentary Under-Secretary of State, Colonial Office, to consider the extent to which the Spanish Government might be able to promote embarrassing claims against the United Kingdom under the Treaty of Utrecht.

(7) Took note that the Prime Minister would arrange for the Defence and Oversea Policy Committee to give further consideration, at an early meeting, to the issues raised by the actions of the Spanish Government in relation to Gibraltar.

3. The Prime Minister informed the Cabinet that it would probably be necessary to indicate, in reply to a Private Notice Question in the House of Commons that day, that we remained ready, as co-Chairman of the 1954 Geneva Conference on Vietnam, to re-convene the Conference if such action offered any prospect of resolving the dispute between North and South Vietnam. It was perhaps not without significance that the Prime Minister of North Vietnam had recently stated openly that he regarded his country as now at war with the United States.

4. The Chancellor of the Exchequer informed the Cabinet that we had recently secured the continuation, for a further three months, of the financial accommodation, amounting to $3,000 million, which had been put at our disposal by certain Central Banks in November 1964.

Cabinet Office, S.W.1,
8th February, 1965.

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Oversea Affairs
Vietnam
(Previous Reference: CC (65) 7th Conclusions, Minute 3)

Economic Situation
(Previous Reference: CC (64) 3rd Conclusions, Minute 3)
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 11th February, 1965, at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. CHARLES PANNELL, M.P., Minister of Public Building and Works (Item 3)
Mr. GEORGE THOMSON, M.P., Minister of State for Foreign Affairs (Item 2)
Mr. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Items 3–5)
LORD RHODES, Parliamentary Secretary, Board of Trade (Item 4)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. D. S. LASKEY

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

Oversea Affairs
Vietnam
(Previous Reference: CC (65) 8th Conclusions, Minute 3)

2. The Prime Minister informed the Cabinet that, in the light of the latest intensification of hostilities in South Vietnam, he had been in personal touch with the President of the United States, President Johnson, and had reaffirmed that we were ready, in our capacity as co-Chairman of the 1954 Geneva Conference on Vietnam, to put our good offices at the disposal of the parties to the dispute at the appropriate moment. It was clear, however, that the situation had not yet developed to the point at which the United States Government might wish to avail themselves of this offer.

Housing Programme
(Previous Reference: CC (65) 5th Conclusions, Minute 3)

3. The Cabinet had before them memoranda by the Minister of Housing and Local Government (C (65) 17) and by the Chancellor of the Exchequer (C (65) 21) about the housing programme for England and Wales.

The Minister of Housing and Local Government said that the public housing programme was based on approvals given during the calendar year. During 1964, 144,000 approvals were given; and there were strong grounds for increasing the figure for 1965 to 156,000. The Government were pledged to increase the building of new houses both for rent and for sale. So far, however, houses for rent had lagged behind; and these should now have priority both on social grounds and because the Government’s proposals for rent control would be liable to be ineffective unless much larger numbers of rented houses were available. Only public authorities, however, were willing to build houses of this kind on any significant scale; and hitherto they had tended to concentrate on slum clearance and the relief of overcrowding and had been allowed to build relatively little to meet general housing needs. They should now be allowed to do more in this respect.

Moreover, a rising programme of public housing was necessary in order to promote the greater use of industrialised building, which could only be achieved by organising large forward orders. Productive capacity in this respect was probably available to the extent of some 50,000 dwellings a year or four times the number built in the previous year; and the proposed increase in the public housing programme should be within the capacity of the building industry provided that the additional 12,000 houses were built by industrialised methods. Private house building was admittedly likely to increase at the same time; but, if it appeared to be rising to an excessive level, it would be necessary to devise further means of ensuring a proper balance within the housing programme as a whole. The impact on the Budget of the expanded programme of public
housing now proposed would depend on the outcome of the review of housing subsidies, on which it should be possible to introduce legislation in the 1965-66 Session. On the basis of the existing subsidies the increase in the public housing programme by 12,000 houses a year would entail no additional expenditure for the first two years and, thereafter, an addition of only £400,000 a year.

The Chancellor of the Exchequer said that the Cabinet's approval of his proposals for the long-term programming of public expenditure (CC (65) 5th Conclusions, Item 3) had provided for housing investment of £506 million in 1964-65. This comprised expenditure by local authorities and new towns in England and Wales on a "work done" basis equivalent to 130,000 houses. The corresponding figures in the "basic programme" for 1969-70 were £557 million and 145,000 houses. Approvals at the rate of 156,000 houses a year, if maintained, would therefore quickly raise the annual rate of expenditure to the equivalent of 11,000 houses (approximately £33 million at present prices) above the rate hitherto envisaged for 1969-70. This would be tantamount to pre-empting for housing a large part of the sum which was intended to be available for allocation between the various claimants for "additional" programmes of public expenditure in the general review in July. Moreover, if expenditure on public housing were increased without compensating reductions elsewhere, this additional outlay would have to be financed by increased borrowing when the houses were started; and this, rather than the impact on the subsidies to be provided by the Exchequer, was the crucial financial issue. It also seemed optimistic to assume that the construction industries could accommodate the proposed increase in building in addition to the enlarged expenditure envisaged in other fields, such as hospital building; while any proposal to reduce house building in the private sector would not be easily reconciled with the measures which were contemplated to make house purchase easier. Finally, it was essential to bear in mind the psychological impact of successive increases in public expenditure on our friends and allies abroad, whose willingness to continue to finance our balance of payments deficit would depend essentially on the extent to which we could convince them that we were planning to live within our means. For all these reasons there should be no increase in public housing approvals for 1965 above the figure of 144,000 houses, at least until the comprehensive review of public sector expenditure programmes in July.

Discussion showed a division of opinion in the Cabinet. On the one hand it was maintained that housing, especially the building of houses for rent, could claim priority, on both social and economic grounds, over other claims on our resources, particularly in view of the extent to which successive Conservative Governments, except towards the end of the last Administration, had made inadequate provision for public housing programmes. Moreover, in the longer term the necessary increase of housing could only be achieved by a greater use of industrialised building; and the main reason why the industrial capacity which could be employed for this purpose was not being brought into use was the fact that public authorities,
despite an encouraging tendency to form consortia for house building, were not in a position to undertake the large-scale programmes which were necessary if this form of construction was to prove economical. The expansion of the housing programme on the lines now proposed would therefore provide the necessary stimulus to the construction industries to modernise their methods and to take full advantage of technological developments; and the results should be beneficial not only in relation to the housing programme in this country but also in terms of the export of prefabricated housing and component parts, for which a considerable potential market existed.

On the other hand it was claimed that the areas of greatest demand for housing were precisely those where resources were already scarce; and this fact, coupled with the rise in private house building, which must be expected to continue in the absence of restraint, would aggravate the overloading of the construction industries and intensify the inflationary pressures. It was clearly necessary to secure a greater use of industrialised building; but this could be achieved if we could induce local authorities to apply these methods to the houses in the existing programme instead of confining ourselves to an attempt to promote them in relation to the programmes of future years. Moreover, while the proposed increase in public housing would have virtually no immediate impact on the Exchequer and only a relatively small effect in later years, it would impose a heavy additional burden on public expenditure in the wider sense; and it should therefore be considered in relation to the rest of the long-term plan of public sector expenditure. In Scotland the situation was different in the sense that the main problem was an inadequate level of private house building; but Scottish opinion would expect to share equally with England and Wales any expansion of the public housing programme.

The Prime Minister, summing up the discussion, said that, before reaching a final decision, the Cabinet would need to be more fully informed about several aspects of the issues involved. In particular, they would need to know what steps might be taken to limit private house building, if necessary; and how far additional resources might be released by these means and perhaps by an intensification of the ban on the building of new offices and other non-essential premises. It would also be necessary to define the areas in which it was proposed that additions to existing public housing programmes should be permitted and to explore the means by which the Government could ensure that these additional allocations would be implemented by industrialised, rather than conventional building methods. The location of the additional housing should be shown to be related to the areas where building resources were unemployed and the need for new houses was most urgent. The manpower implications of the extended programme should also be examined. While the proposals would then need to be considered further in the light of other claims on our financial and economic resources, a decision should be taken as rapidly as possible and should not
necessarily wait till July, when any additional approvals would be 
granted too late in the year to enable building to make much 
progress before it was handicapped by bad weather.

The Cabinet—

(1) Invited the Minister of Housing and Local Government, in 
consultation with the Secretary of State for Scotland, the 
President of the Board of Trade and the Minister of 
Public Building and Works, to consider how the 
additional information, indicated in the Prime Minister’s 
summing up of their discussion, might most conveniently 
be made available as rapidly as possible.

(2) Agreed to resume their discussion of C (65) 17 and 21 in the 
light of the results of the action to be taken under 
Conclusion (1) above.

Aid to Zambia

4. The Cabinet considered a memorandum by the Secretary of 
State for Commonwealth Relations and the Minister of Overseas 
Development (C. (65) 20) about aid to Zambia.

The Commonwealth Secretary said that the Government of 
Zambia claimed that the financial settlement reached when the 
Federation of Rhodesia and Nyasaland was dissolved had been 
unjust, particularly as regards the allocation of the former Federal 
Public Debt, and that they had accepted it only in return for an 
undertaking that they would receive substantial aid from the 
United Kingdom. No such undertaking had in fact been given; but 
the Government of Zambia undoubtedly believed that it had. 
At present there was no case on economic grounds for providing 
aid for Zambia; but there were strong political arguments in favour 
of doing so. President Kaunda was well-disposed to the West; but 
some elements in his Government favoured a reorientation of 
Zambian policy towards the Soviet Union and Communist China 
and any development of this nature would represent a serious threat 
to our position in Central Africa. In particular, the expatriate civil 
servants on whom the administration of the country depended would 
leave or be displaced; and our stake in the Zambian copper industry 
would be in jeopardy. For these reasons it would be desirable that we 
should offer the Government of Zambia, in full and final 
settlement of their claim, aid amounting to £10 million over a period 
of five years. The purposes to which this sum should be devoted and 
the rate at which it should be spent would need to be decided in 
consultation with the Zambian authorities. But it should be regarded 
as including our contribution to the contingency planning which the 
Government of Zambia were undertaking against the possibility that 
economic sanctions might be applied by the Government of Southern 
Rhodesia in the event of a unilateral declaration of independence by the 
Colony; and it should also comprise both the defence aid which it 
was in our own interests to provide to Zambia and the assistance 
which would be required if the expatriate civil servants were to be 
persuaded to remain in Zambia.

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The Minister of Overseas Development supported this proposal. The offer of a smaller sum for a shorter period, coupled with an undertaking to review the situation thereafter, might well prove a more expensive form of settlement in the longer term; and it would not enable us to reach a final settlement on the Zambian claims in connection with the dissolution of the Federation. The proposed payment of £10 million could be accommodated, defence aid apart, within the approved aid programme as a whole over the next five years.

The Chief Secretary, Treasury, said that it was not in dispute that the Government of Zambia possessed ample resources and had no claim to aid on economic grounds. In these circumstances it would be difficult to justify to international opinion the offer of so large a sum as £10 million, especially at a time when we were heavily dependent on other countries for assistance in financing our own balance of payments deficit. Moreover, there could be no certainty that the payment of £10 million would not be followed by further requests from Zambia for additional aid. It would be preferable, therefore, to confine our immediate offer to the amount likely to be needed in the next 12 months—perhaps £2 million for aid in relation to defence and the Zambian public service—and to undertake to review the position in a year's time. We should then be better able to judge the political future of Zambia and the extent to which the country was still exposed to the threat of economic pressure by Southern Rhodesia.

In discussion it was generally agreed that, although there was no economic justification for providing aid to Zambia, the political arguments in favour of doing so were decisive and that, in order to achieve our political objectives, there was a strong case for offering £10 million over five years. So far as possible this sum should be regarded as discharging, in addition to our other commitments, any claim which the Government of Zambia might make for assistance in refinancing in 1970–72 certain railway loans. It was suggested that, if the payment of £10 million were presented primarily in terms of military aid, there might be less risk that it would attract adverse criticism from other countries. This suggestion, however, should be considered further in the light of the possible effect on President Kaunda’s position and on relations between Zambia and Southern Rhodesia.

The Cabinet—

Agreed that, subject to the points made in their discussion, the Government of Zambia should be offered a sum of £10 million in defence and economic aid over the next five years.

5. The Cabinet had before them a Note by the Secretary of State for Defence (C. (65) 19), to which was appended a proof copy of the Statement on the Defence Estimates, 1965.
In discussion the Cabinet were informed that, as was emphasised in its introductory paragraphs, the White Paper represented only an interim statement of the Government's defence policy, which would be further reviewed in the light of a series of detailed studies which were now in train. Although defence expenditure remained at a very high figure in absolute terms and might rise still further before it could be effectively curtailed, the Estimates for 1965–66, which reflected a reduction of £55 million on the cost of the programme which the Government had inherited from the previous Administration, represented an initial step in this direction; and the main purpose of the studies now in hand would be to try to ascertain the further means by which, in the next few years, defence expenditure might be reduced to approximately the present level in real terms.

The Cabinet—

Took note, with approval, of the Statement on the Defence Estimates, 1965, appended to C (65) 19.

_Cabinet Office, S.W.1._

_11th February, 1965._

SECRET
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 18th February, 1965,
at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir FRANK SOKSICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. R. PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P., Minister of Transport
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. ANTHONY CROSCLAND, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. CHARLES PANELL, M.P., Minister of Public Building and Works (Item 3)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. R. T. ARMSTRONG

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Foreign Secretary said that in view of the increasing tension in Vietnam United Kingdom citizens in the more remote areas had been privately advised either to move to Saigon or to leave the country as unobtrusively as possible. There appeared to be no case, as yet, for a public warning to this effect. Meanwhile, there were some indications that the Soviet Government might be more willing than hitherto to re activate the co-Chairmanship of the 1954 Geneva Conference on Vietnam which they shared with ourselves. But, before there could be any question of our trying to turn this development to advantage in relation to a negotiated settlement of the dispute, the United States Government would have to indicate the type of negotiation which they would be prepared to undertake and the prior conditions which they might seek to impose before embarking upon it. We remained in close touch with the United States authorities on these issues.

The Foreign Secretary informed the Cabinet that, during a recent visit to Brussels, he had held useful discussions with the Foreign Minister of Belgium, M. Spaak, and the President of the Commission of the European Economic Community, Professor Hallstein. M. Spaak had reiterated his well-known view that the United Kingdom should make a further attempt to become a member of the Community. Professor Hallstein, however, had appeared to take a more pragmatic attitude to this question in so far as he had agreed that we should concentrate, for the time being, on seeking to create functional links between the Community and ourselves. Under pressure, M. Spaak had admitted that it might be unrealistic to suppose that Europe could be defended without the participation of the United States; but it was clear that he was still influenced to a considerable extent by the rival theory of General de Gaulle.

The Foreign Secretary said that the discussions with the Ambassador of the United Arab Republic (UAR) in London, which had been initiated by his predecessor, were continuing; and we might hope that they would prepare the way for a visit to Cairo by a Foreign Office Minister in the fairly near future. Any improvement in relations with the UAR which might be achieved by these means would be welcome. But we must be concerned, at the same time, to avoid alienating the Government of Israel and arousing suspicions among certain other Arab States. The next stage of the negotiations would therefore be liable to be particularly delicate and to call for great discretion; and all members of the Government should be guided by the advice of the Foreign Office in establishing or developing contacts with any representatives of the UAR.
Turkey

The Foreign Secretary said that the recent change of Government in Turkey did not necessarily foreshadow any significant modifications in Turkish foreign policy. But the new régime did not appear to be very securely established; and, so long as this situation persisted, there might be a rather greater risk of armed intervention by Turkey in Cyprus.

United Nations

The Foreign Secretary informed the Cabinet that, despite a rather ill-judged intervention by the Government of Albania, it now seemed probable that the General Assembly of the United Nations would adopt the proposal that they should adjourn while a special committee considered the issues which had arisen in connection with the proposal to apply Article 19 of the Charter of the United Nations to certain member States which had not discharged their financial obligations in relation to certain peace-keeping operations. It would be unfortunate that, as a result, the Assembly would probably not meet again until the autumn; and we must accept the fact that this prolonged adjournment would involve some risk of the Assembly's gradual disintegration. On the other hand it seemed impossible that the Assembly should continue in session in the immediate future, since the various issues which it would discuss could not be brought to the point of decision by means of a vote in the normal way without calling in question the basic issue of the validity of the sanction implicit in Article 19, which was itself the occasion for the appointment of the special committee. As soon as that committee was in being, we should seek to take some public initiative in suggesting means by which the peace-keeping operations of the United Nations would in future be conducted on a more satisfactory basis. In the meantime, however, the Security Council would remain in session; and we should do our best to ensure that the various specialised agencies of the United Nations continued their work.

Southern Rhodesia

The Prime Minister expressed to the Lord Chancellor and the Commonwealth Secretary the Cabinet's good wishes for their forthcoming visit to Southern Rhodesia.

A Policy for the Arts

3. The Cabinet considered a memorandum by the Prime Minister (C (65) 22), to which was appended a draft White Paper on a policy for the arts.

The Prime Minister said that the draft White Paper was the result of a review which had been undertaken, at his request, by the Parliamentary Secretary, Ministry of Public Building and Works, with the help of the Ministerial Committee on Arts and Amenities. As a separate matter he had been considering the Government's administrative arrangements for dealing with the arts and he had
decided that the time had now come to relieve the Chancellor of the Exchequer of the potentially embarrassing anomaly of being the sponsoring Minister in this context and that the Government's responsibility for the arts should in future be centred in the Department of Education and Science. A statement to this effect had therefore been included in the draft White Paper.

The Parliamentary Secretary, Ministry of Public Building and Works, said that the main objectives of the proposed new policy for the arts were to encourage greater regional and local enterprise in artistic activities, while maintaining the development of the national institutions; to give a particular impetus to the development of arts centres; and to provide additional assistance for first-class orchestras. In view of the present financial situation, the draft White Paper contained no reference to expenditure on new buildings for the National Theatre or to the possibility of a pound-for-pound grant towards expenditure on the arts by local authorities, either of which would require substantial Government expenditure. The greater part of Government aid to the arts would continue to be channelled through the Arts Council. Agreement had been reached on a grant to the Arts Council for 1965-66 (excluding Covent Garden) which was higher by £665,000 than the grant for 1964-65. Of this grant £150,000 represented estimated expenditure on building projects, in pursuance of the authority to be given to the Arts Council to enter into commitments on building projects up to £250,000 in 1965-66. But the increase in the general grant to the Arts Council (excluding Covent Garden) was little different from the increases in the three previous years and the Government might be open to criticism on this account. On the other hand the authority to the Arts Council to enter into commitments on building projects represented an important new departure. Moreover, the White Paper indicated that the Government would probably introduce Supplementary Estimates for further additions to the Arts Council grant in 1965-66 in order to provide for additional assistance to orchestras in the light of the report of the Goodman Committee and for certain specialised projects which were being currently reviewed. If, however, it were possible, even at this late stage, to provide for a larger increase in the Arts Council grant in the White Paper, this would constitute the most effective answer to any possible criticisms.

The Chairman of the Arts Council, who had been informed in confidence about the Prime Minister's proposals for transferring responsibility for the arts to the Department of Education and Science, was anxious for it to be made clear that the transfer would not diminish the Council's autonomy and their immunity from political influence or direction. It would therefore be desirable that a new sentence should be inserted in paragraph 78 of the White Paper, to the effect that:

"The Council would continue to enjoy the same powers as they have exercised hitherto and would in particular retain their full freedom to allocate the Grant in Aid made available to them."
In discussion the following main points were made:

(a) The references in the White Paper to the financial provision for the Arts Council in 1965-66 had been agreed after extensive discussions between the Ministers concerned. Departmental Estimates, together with the Vote on Account, had been approved on the basis of this provision and could not now be altered: the references in the White Paper should therefore stand as drafted. The indication of the likelihood of Supplementary Estimates in 1965-66 should constitute convincing evidence of the Government's determination to increase support for the arts; and if the Goodman Committee could complete their report in the near future, it might be possible to give an early indication of the additional amounts which the Government would ask Parliament to provide.

(b) The White Paper rightly emphasised the need for greater regional and local enterprise and activity in the arts. Since much of the support for this purpose would be provided by the Arts Council, it would be desirable to ensure that new appointments to the Council were made with the need to foster regional activity well in mind.

(c) When responsibility for the arts was transferred to the Department of Education and Science, which had no responsibilities in Scotland, it would be important, as the White Paper indicated, to make appropriate arrangements to meet Scottish interests.

(d) Consideration was being given to the possibility of extending to county councils the statutory authority, at present available only to municipal authorities, to spend the product of a 6d. rate on entertainment. Certain drafting amendments to paragraph 38 of the White Paper, which dealt with this matter, had been agreed between Departments.

(e) If the White Paper was to include, in paragraph 42, a list of arts festivals, it might be desirable to ensure that the list was as comprehensive as possible.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that the White Paper should be issued and endorsed the policies which it described. For purposes of its public presentation particular attention should be drawn to the Government's determination to encourage artistic development in the regions and to the authority to be given to the Arts Council to enter into commitments on building projects, which was an important feature of the policy for encouraging regional development. At the same time, in order to avoid any risk of lack of balance in perspective, it should be emphasised that the Government recognised, and would continue to support, the valuable work which was already being done, and would continue to be done, in the national institutions in London. It might be convenient that the White Paper should be published on Monday, 22nd February; but the precise timing of publication might need to be further considered in relation to other announcements which were due to be made on that day.

The Cabinet—

(1) Took note that Departmental responsibility for the arts would be transferred from the Treasury to the Department of Education and Science.
4. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C (65) 24) about the Vote on Account, 1965–66.

*The Chancellor of the Exchequer* said that the Vote on Account, to be published on 22nd February, would reveal that the 1965–66 Estimates would amount to £7,134 million, which represented an increase of 8.9 per cent in money terms, or 5.5 per cent in real terms. It would be important to mitigate, so far as possible, the adverse impact of so large an increase on domestic and international opinion; and he therefore proposed, exceptionally, to introduce the Vote on Account by making a statement in Parliament on the day of publication in the terms of the draft attached to C (65) 24. The main purpose of this statement would be to emphasise the Government's determination to plan and control public expenditure, consciously and effectively, as the major element in the National Economic Development Plan.

In discussion the following main points were made:

(a) The proposed statement should be amended in order to present public expenditure in clearer relation to national expenditure as a whole. Excessive expenditure in the private sector might in certain circumstances be no less inflationary than its counterpart in the public sector; and it would not be in accordance with the Government's economic policy to imply that public expenditure alone should be restrained.

(b) The statement that public expenditure, excluding the investment of the nationalised industries, should be allowed to rise by 23 per cent in real terms between 1964–65 and 1969–70 might be embarrassing. It might prove impracticable to contain public expenditure at so precisely defined a level, except by means of arbitrary reductions in other forms of expenditure. Moreover, according to the amount by which the gross national product expanded, either a smaller or a larger increase in public expenditure might be found desirable.

(c) The increase of expenditure forecast for 1965–66 referred to Vote provision and might therefore be misleading in so far as actual expenditure might well rise by a significantly smaller percentage.
(d) The reference to defence expenditure should be expanded in order to indicate that, even in 1965–66, some economies would be secured, as would be demonstrated in the Defence White Paper which would be published shortly after the Vote on Account.

(e) The reference to the particular burden imposed on the balance of payments by certain items of Government expenditure, which was intended to refer primarily to defence expenditure, might be taken to foreshadow a reduction in oversea aid. The relevant passage might be reconsidered from this point of view.

The Prime Minister suggested that the draft statement should be revised in the light of the discussion and should be further considered by the Cabinet at a meeting on Monday, 22nd February. It would be helpful in influencing international opinion if the First Secretary of State were prepared to make a corresponding statement at the forthcoming meeting of the Council of the European Free Trade Association; and appropriate guidance should also be sent to our Missions abroad at the right moment.

The Cabinet—

(1) Invited the Chancellor of the Exchequer to revise the draft statement appended to C(65) 24 in the light of the discussion.

(2) Agreed to consider the revised draft statement at a subsequent meeting.

Cabinet Office, S.W.1,
18th February, 1965.
11th Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Monday, 22nd February, 1965, at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir FRANK SOSKICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. FRED PEARCE, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P., Minister of Transport
The Right Hon. KENNETH ROBINSON, M.P., Parliamentary Secretary, Treasury

The following were also present:
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer (Items 1-4)
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HODGSON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

Mr. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Item 3)
Mr. GEORGE DARLING, M.P., Minister of State, Board of Trade (Items 1-2)
Mr. AUSTEN ALBU, M.P., Minister of State, Department of Economic Affairs (Items 1-3)

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
MISS J. J. NUNN

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Relations with the Press

(Previous Reference: CC (65) 2nd Conclusions, Minute 2)

1. The Prime Minister said that he felt bound to draw the Cabinet’s attention to a new and potentially dangerous development of Press technique, which was illustrated by an article published in the *Sunday Times* on the previous day by Mr. Anthony Howard, its recently appointed “Whitehall Correspondent”. This article purported to describe a conflict of view between the Department of Economic Affairs and the Treasury about the direction of economic policy; and, in the course of a detailed analysis of this alleged dispute, it identified as protagonists not only the Ministers in charge of the two Departments but also their senior advisers. In an accompanying leading article the *Sunday Times* claimed that this procedure, although an innovation in journalistic practice in this country, was justified on the ground that it was the proper function of the Press to publish secret issues of politics, whether they related to the Cabinet, to Parliament or to the Civil Service.

These articles represented a novel challenge to the established conventions governing the conduct of public business; and the fact that their description of the alleged conflict of view between the Department of Economic Affairs and the Treasury was in many respects inaccurate did not necessarily permit the Government to ignore the threat which they represented. It might be desirable to give further consideration to their implications in relation to the discharge of collective Ministerial responsibility by means of discussion in the Cabinet and its Committees, since it was essential that the normal processes whereby differences of opinion were resolved by confidential discussion, both between Ministers and between officials, should be maintained without risk of being misrepresented as dramatic encounters between contending theories or rival personalities; and it would be no less important to protect the Government against the embarrassment of the statutory enquiry which would inevitably be required if this new form of intrusion by the Press resulted in the apparent disclosure of some particularly sensitive item of information, e.g., in relation to the forthcoming Budget. More immediately, however, the articles demonstrated afresh the need for Ministers to maintain the utmost discretion in their contacts with the Press. It should now be made an established rule, to be vigilantly observed, that Ministers should not give Press interviews, whether attributably or unattributably, except in the presence of a reliable witness such as a Public Relations Officer; and a careful note of such interviews should be made. In addition, all Ministers should instruct their advisers to maintain a corresponding standard of discretion in any contacts with the Press which their official duties might require and, in particular, to refrain from according more favourable treatment to the “Whitehall Correspondent” of the *Sunday Times* than to any other representative of the Press whose contacts with Departments would normally be made through their Public Relations Officers.

The Cabinet—

Took note, with approval, of the Prime Minister’s statement about relations with the Press.
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2. The Chancellor of the Exchequer said that the Council of the European Free Trade Association, which was meeting that day in Geneva would expect us to offer a significant reduction in the 15 per cent import surcharge. From the economic point of view an early reduction would be premature since, although our balance of trade had recently shown some improvement, there still seemed likely to be a substantial balance of payments deficit during the current year. This consideration, however, had to be weighed against the adverse political effect of maintaining the surcharge at its present level, including the possibility of retaliation. On balance, therefore, it would probably be right to reduce the surcharge in the near future; and although a reduction of only 2½ per cent would have been preferable economically, the political arguments suggested that it would be wiser to offer a reduction of 5 per cent on all items, with effect from 26th April, i.e., six months after the surcharge had been imposed. But we should refrain from accepting any commitment to make a further reduction at any foreseeable date in the future.

Discussion showed general agreement that the balance of advantage inclined in favour of the proposed reduction in the surcharge. The following main points were made:

(a) There must necessarily be some uncertainty about the effect of the surcharge during the limited period in which it had been in operation at the rate of 15 per cent, since it was in this period that congestion in the London docks had been substantially relieved and the statistics of imports and exports had been affected accordingly.

(b) The surcharge appeared to have achieved some reduction in the importation of manufactured and semi-manufactured goods. Its cost, however, had been absorbed, perhaps by as much as 50 per cent, by the exporters and importers; and to this extent it had not been reflected in United Kingdom costs.

(c) The undertaking to reduce the surcharge two months hence might well result in a postponement of imports. The immediate effect would be favourable; but this would be liable to be offset by the deferred increase which would take place after the reduction came into effect.

The Cabinet—

Agreed that the 15 per cent surcharge on imports should be reduced to 10 per cent with effect from 26th April, 1965.

3. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C (65) 27), to which was annexed a draft of a Parliamentary Statement on the Vote on Account, 1965-66.

The Chancellor of the Exchequer said that the statement had been redrafted in the light of the points raised by the Cabinet in their previous discussions, in order to place public expenditure more clearly in the context of total national expenditure.

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In discussion it was suggested that the Government's freedom of action might be unduly restricted by the proposed undertaking to limit the average increase in public sector expenditure to 4½ per cent a year at constant prices over the next five-year period. The balance of opinion, however, favoured a statement on these lines, provided that it was made clear that this limitation reflected the Government's "present judgment". It would also be desirable to emphasise that the Government intended to exercise a corresponding control over the private sector and that neither public nor private expenditure could be allowed to rise in terms of annual rate of increase until the annual rate of increase of national production as a whole showed some improvement.

In further discussion certain textual amendments were agreed.

The Cabinet—
Approved, subject to the amendments agreed in discussion, the draft Parliamentary Statement on the Vote on Account, 1965-66, annexed to C (65) 27.

The Secretary of State for Education and Science said that the Social Services Committee had agreed on 9th December, 1964 (SS (64) 3rd Meeting, Minute 1), to a proposal that an authoritative body should be established to examine medical education, including such matters as the exceptionally high cost of training doctors, the organisation of medical schools, the relationship of medical education to the development of the National Health Service and post-graduate and post-experience medical training. If the Cabinet endorsed this conclusion, it remained for consideration whether the inquiry should be given the status of a Royal Commission. Since its recommendations were likely to be controversial, it was desirable that they should command the fullest authority in order to commend them to a somewhat conservative profession. Moreover, the new body should be clearly distinguished from a committee recently appointed by the General Medical Council to review the undergraduate medical curriculum. Both considerations pointed to giving it the status of a Royal Commission.

In discussion it was suggested that, if there were any likelihood that current discussions between the Minister of Health and representatives of the British Medical Association on the remuneration of doctors might lead to the appointment of a body to undertake a comprehensive inquiry into the place of the general practitioner within the National Health Service, it might be desirable to defer a decision on the appointment of a Royal Commission on medical education, in order that two Royal Commissions should not...
be at work simultaneously in closely related fields. It seemed unlikely, however, that any such proposal would result from the current consultations about medical remuneration or that those consultations would be in any way prejudiced by the appointment of a Royal Commission to inquire into medical education.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that a recommendation should be made to The Queen for the appointment of a Royal Commission to inquire into medical education on the lines proposed. Some further consideration, however, should be given to the draft terms of reference in C (65) 25, in order to ensure that the Royal Commission would take sufficient account of the importance of medical education in relation to our programmes of overseas aid and technical assistance.

The Cabinet—

(1) Invited the Secretary of State for Education and Science, in consultation with the Minister for Overseas Development, to give further consideration to the terms of reference of the proposed inquiry in the light of the Prime Minister's summing up of their discussion.

(2) Subject to Conclusion (1) above, invited the Secretary of State for Education and Science to send to the Prime Minister proposals, for submission to The Queen, on the composition and terms of reference of a Royal Commission on medical education.

5. The Cabinet considered a memorandum by the Home Secretary (C (65) 23) on racial discrimination and incitement to racial hatred.

The Home Secretary recalled that an undertaking had been given in The Queen's Speech on the Opening of Parliament to take action against racial discrimination and to promote the full integration of Commonwealth immigrants in the community. In addition he had indicated in the debate on the Expiring Laws Continuance Bill the Government's intention to introduce legislation to deal with incitement to racial hatred, if the difficulties of definition could be overcome. It was now proposed:

(i) to make it an offence to practise discrimination on grounds of race or ethnic or national origin in places to which the public had access. This would penalise forms of discrimination which were plainly indefensible without interfering with individual rights, such as that of a landlady to decline to accept a coloured lodger. A provision so limited should be capable of enforcement; but, in order to prevent unnecessary or malicious proceedings, prosecutions would be instituted only by, or on behalf of, the Director of Public Prosecutions;
(ii) to deal with incitement to racial hatred by applying Section 5 of the Public Order Act, 1936, to the written, as well as to the spoken, word and by providing that a person who, with intent to stir up hatred against a group of Her Majesty's subjects, disseminated written matter or used speech in public which was threatening, abusive or insulting and likely to stir up hatred against that group on grounds of race, colour or ethnic origin should be guilty of a new offence.

In proceedings for this offence it would not be necessary to show, as under Section 5 of the Public Order Act, 1936, that there was an intention to provoke a breach of the peace or that a breach of the peace was likely to be occasioned. The offence would carry a maximum penalty on indictment of two years' imprisonment or a fine of £1,000; and, as a safeguard against frivolous or trivial proceedings, it was proposed that prosecutions should be brought only by, or on behalf of, the Attorney-General. The proposals were intended to deal not so much with incitement at public meetings, about which there was at present less public concern, as with the dissemination of anti-Semitic news-sheets, swastika-daubing and the fly-posting of offensive notices. It was also proposed to confer on the High Court, on the application of the Attorney-General, a power to wind up any association a member of which was convicted of the new offence of incitement, if he had committed it wholly or substantially in furtherance of the purposes of the association.

The Home Affairs Committee had considered, but had not accepted, a suggestion that the proposals should be extended to discrimination or incitement on religious grounds. Section 5 of the Public Order Act, 1936, already applied to abuse on religious grounds; and there appeared to be no need for more stringent provisions.

If these proposals were approved, it would be appropriate to present them, together with others now under consideration for promoting the integration of Commonwealth immigrants in the community and for discussing immigration problems with other Commonwealth countries, as the counterpart of the Government's proposals for strengthening the control of immigration.

In discussion the following main points were made:

**Racial discrimination**

(a) While discrimination against coloured tenants could not be made a criminal offence, it was wrong that the civil law should be used to enforce discriminatory covenants; and it was for consideration, therefore, whether a ban on assignment or subletting to coloured persons should be made unenforceable unless, in a case now before the courts, such a ban was held to be contrary to public policy.

(b) There might be pressure from the Government's supporters in the House of Commons for the Bill to be extended to discrimination by employers, some of whom refused to engage coloured persons on
the grounds that their white employees would object. In addition, some trade unions refused to admit coloured persons to membership. Neither form of discrimination could be prevented by the criminal law; but it might be useful if the Trades Union Congress were publicly to deplore them.

Incitement to racial hatred

(c) The proposed provisions differed from those in the Bills promoted by Mr. (now Lord) Fenner Brockway in the previous Parliament in that they did not deal with incitement on grounds of religion. There might be some demand for this issue to be brought within the scope of the Bill. But, if so, it should be resisted on the ground that measures extending beyond Section 5 of the Public Order Act, 1936, would be liable unduly to restrict religious controversy. It was possible that the Government of Northern Ireland, where religious prejudice was stronger than in Great Britain, would consider introducing parallel legislation in that country.

(d) The provisions in paragraphs 4 and 5 of Annex C of C (65) 23, whereby action would be taken only by, or on behalf of, the Attorney-General, would ensure that the new provisions would normally be used only against ringleaders and organisers of incitement to racial hatred.

(e) The reference in Annex C to “persons owing temporary allegiance to Her Majesty” might give offence in Commonwealth countries which had adopted a republican form of government and should be reconsidered.

The Cabinet—

(1) Invited the Home Secretary:

(i) to consider further, in consultation with the Minister of Housing and Local Government, the point raised at (a) in their discussion;

(ii) to consider, in consultation with the Secretary of State for Commonwealth Relations, the point raised at (e) in their discussion.

(2) Invited the Minister of Labour to consider whether the Trades Union Congress should be invited to issue, on a suitable occasion, a public statement deploiring discrimination on grounds of race or colour in connection with employment and trade union membership.

(3) Subject to Conclusion (1) above, approved the proposals in C (65) 23 and invited the Home Secretary to consider, in consultation with the Prime Minister, how they might most appropriately be announced in conjunction with proposals for integrating Commonwealth immigrants in the community and for promoting discussions on immigration problems with the other members of the Commonwealth.

Cabinet Office, S.W.1,
22nd February, 1965.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 25th February, 1965,
at 10.30 am.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food (Item 3)
The Right Hon. Tom Fraser, M.P., Minister of Transport
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology (Item 3)
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. Charles Pannell, M.P., Minister of Public Building and Works (Item 3)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Mr. A. A. Jarratt

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Foreign Secretary said that, with the agreement of the United States Government, we had recently proposed to the Soviet Government that, as co-chairmen of the Geneva Conference, we should jointly seek the views of the Powers concerned on a possible basis for a settlement of the conflict in South Vietnam. So far the Soviet Government had been unresponsive; and, if they maintained this attitude, we might need to make our initiative public.

In South Vietnam the Government of Dr. Quat remained in office but its position was precarious. The previous Prime Minister, General Kanh, had been appointed Ambassador at large to present the case of South Vietnam to world opinion.

The Colonial Secretary said that, as the result of dissension between the groups and parties concerned and the resignation of the Aden State Government, it had been necessary to postpone the South Arabian Constitutional Conference which had been due to begin in the following week. There would inevitably be an interval before a new Government was formed in Aden; and, while any prolonged postponement of the Conference would be unfortunate, an early initiative on our part seemed unlikely to be productive.

The Cabinet—

Took note of these statements by the Foreign Secretary and the Colonial Secretary.

3. The Cabinet considered memoranda by the Chancellor of the Exchequer (C (65) 33), the Secretary of State for Scotland (C (65) 32), the Minister of Housing and Local Government (C (65) 26 and 28), and the Minister of Public Building and Works (C (65) 29) on the housing programme, with particular reference to the proposal that approvals for public authority housing should be increased by 12,000 in 1965.

The Minister of Housing and Local Government recalled that at their earlier discussion the Cabinet had invited him to define the areas in which the additional approvals should be permitted; to explore possible means of ensuring that these additional approvals would be implemented by industrial building methods; and to consider, together with the other Ministers concerned, how building resources might be freed by limiting private building, particularly private housing.

The potential increase in capacity for industrialised building systems in 1965 was considerably greater than the proposed additional programme for public authority housing. In particular,
unused capacity existed in those parts of the country in which the need for more public sector housing was greatest; and preliminary surveys had shown that two-thirds of the additional 12,000 houses could be built by industrialised systems in such areas, apart from Wales, which would have to rely on sources of supply in England for the time being. Moreover, industrialised systems could secure savings of 10–50 per cent in labour employed; and the existence of surplus capacity implied that such systems could be encouraged in other parts of the country where skilled manpower was scarce, particularly in London and Birmingham. The additional load could therefore be borne by the construction industries provided that a systematic and ambitious change to industrialised methods was put in hand; but the concentration of the increased public authority programme in particular areas would imply that house building by local authorities in other parts of the country would have to be restrained to the 1964 level.

Although public authority housing had increased in the last three years, there had been a substantial diversion to private house construction since the previous Labour Government were in power, with the result that only 35 per cent of total house construction was now in the public sector. The Government had committed themselves to meeting the large unsatisfied need for rented accommodation as well as to providing money for house purchase at preferential rates of interest. But it would not be possible to honour these commitments unless restraints were placed on other private building. As regards the possibility of limiting private house building by controlling advances by building societies, it was unlikely that any scheme of voluntary restraint could be agreed or be wholly effective in view of the large number of societies involved. Moreover, the smaller societies might frustrate such a scheme by attracting business which would otherwise be handled by those who did co-operate. It would also be necessary to link any limit on total advances with the limitation which it would be necessary to impose on the amount of new house building to be assisted by a preferential rate of interest. Finally, any restriction of total advances by building societies would have to be accompanied by similar action by the banks and insurance companies, which also advanced money for house purchase.

The Minister of Public Building and Works said that the cost of 12,000 additional houses would be about £40 million, or just over 1 per cent of the total work expected to be undertaken by the construction industries in 1965. There was a reasonable expectation that the industries' productivity would increase by 5 per cent during the next year; and, provided that the additional houses were built by industrialised systems, they should therefore be accommodated without undue difficulty. It was for consideration whether additional resources might be released by the imposition of physical controls on private building. It would be relatively simple to impose a control on houses in excess of, say, 1,500 sq. ft., although legislation and appropriate administrative machinery would be required and the control would take a long time to become effective. It would also be possible to extend the control on offices by using the powers
provided in the Control of Office and Industrial Development Bill, particularly in such areas as Birmingham and Manchester, although the amount of building affected would form only a very small proportion of the total demand. About £270 million a year was spent on other private building, such as garages and places of entertainment, which might be regarded as non-essential; but the imposition of control would require legislation and the administrative problems would be particularly complex. The fundamental objection to any arrangements of this kind, however, was the fact that physical controls would appear to the construction industries as a return to a "stop go" policy and, by undermining their confidence in the future, would be liable to diminish their output and productivity.

The Chancellor of the Exchequer said that, while there might be general agreement that public authorities should provide more rented accommodation, the claims of this sector of the economy could not be considered in isolation. If the building industry was now working at full capacity, any additional burden, whether by way of increased public authority housing or private housing assisted by preferential interest rates, would add significantly to the strain on resources. It was essential, therefore, that any further increase in public authority housing should be accompanied by a simultaneous reduction in private demand. The Control of Borrowing Order offered one method of establishing a financial control over private house building; but it was open to question whether this or any other form of financial control would be effective. On the other hand, it would take some time to bring physical controls into effect. It was now essential, therefore, to consider whether a balanced set of measures could be devised for achieving a significant diversion from private to public house building, which could then be considered in the context of the Government's total programme of public expenditure.

The Secretary of State for Scotland said that, although the pressure on building resources in Scotland was not as heavy as in parts of England, one-fifth of Scottish public housing in 1965 would incorporate industrialised systems and a recent review had shown that productive capacity existed for a further increase in system-built houses. There was no sign, however, that the private sector was likely to increase at all rapidly in its very small share of total house construction in Scotland. In view of the importance of a better supply of private houses for economic development and because of the existence of spare resources in the Scottish building industry, any restriction on private building in Scotland could have unwelcome consequences.

In discussion there was general agreement on the importance of expanding public authority housing. Given a reasonable increase in the output of the building and construction industries, a relatively small diversion from private to public sector building would be necessary in order to accommodate the additional public authority
housing programmes which would be required during the next few years. This diversion, however, could best be effected not by outright prohibition but by a system of licensing for private housing (beyond a stated limit of cost or size) and for non-essential private building, which could be applied selectively in different parts of the country. This might be assisted by an extension of the control over office building outside the London area. If measures of this kind were adopted, however, room could be found for the legislation which would be required only if some other item in the legislative programme for the current Session were abandoned.

In further discussion the following main points were made:

(a) There were many cases in which the net increase in accommodation created by the redevelopment of housing sites was small in relation to the resources used in the new buildings. This was particularly marked in private development; but local authorities also tended to demolish large numbers of houses for slum clearance well in advance of the new housing that would replace them. Further consideration should be given to the desirability of preventing the unnecessary or premature demolition of houses which could still give useful service.

(b) If some form of physical control over private building were introduced, it should be presented as a means for promoting the development of desirable projects rather than for curtailing the expansion of construction demand in general.

(c) It would be advisable to refrain from any public announcement of an increase in public authority housing until international confidence in the economy as a whole was fully restored.

(d) It was equally important that no publicity of any kind should be given to the fact that the Government were considering the introduction of some degree of control over private building.

(e) Special measures had been taken by Welsh local authorities to provide houses for workers in the coal and steel industries who moved to Wales from other parts of the country. This had limited the extent to which the housing needs of the local population could be met; and this fact should be given due weight in the allocation of additional public housing approvals. It would also be necessary to provide more public housing in Wales in order to promote the redeployment of labour within the Principality.

(f) For similar reasons the special requirements of authorities such as the National Coal Board, which were engaged in large-scale redeployment of labour throughout the country, should be borne in mind.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that the Minister of Housing and Local Government should have authority to give 12,000 additional approvals for public housing in 1965, on the understanding that these would be provided to the maximum extent possible by industrialised building systems. This decision, however, should not be announced publicly, at least for the time being. The Cabinet also agreed that some form of
control should be instituted over private building, in addition to the limitation provided by the Control of Office and Industries Development Bill. The Economic Development Committee should consider, as rapidly as possible, the means by which building control might be implemented in the private sector, with a view to submitting proposals for legislation to the Cabinet. Further consideration should also be given to the means by which the premature or inessential demolition of existing property could be held in check. The implications of introducing legislation on building controls for the rest of the Government's legislative programme would also need to be examined; and a study should be made of the means by which the Government's intentions in relation to building in both the private and the public sectors could best be presented, at the appropriate point, to public opinion both at home and overseas.

The Cabinet—

(1) Agreed that the Minister of Housing and Local Government should have authority to grant 12,000 additional approvals for public authority housing in 1965, on the understanding that this decision would not be publicly announced for the time being.

(2) Invited the First Secretary of State to arrange for the Economic Development Committee to consider, at the earliest opportunity, the prospective demands on the construction industries in the light of the resources likely to be available and to examine the most appropriate means of controlling building in the private sector.

(3) Invited the Minister of Housing and Local Government, in consultation with the Secretary of State for Scotland, to consider how the premature or inessential demolition of existing houses might best be prevented.

(4) Took note that the Prime Minister would consider, in consultation with the Ministers concerned, the implications for the Government's legislative programme in the current Session of introducing legislation on building controls.

(5) Invited the First Secretary of State, in consultation with the Chancellor of the Exchequer and other Ministers concerned, to arrange for a study of the means whereby the Government's decisions in relation to private and public building could best be presented, at the appropriate moment, to public opinion at home and abroad.

Cabinet Office, S.W.1,
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 2nd March, 1965, at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. HERBERT BOWDEN, M P, Lord President of the Council
The Right Hon. MICHAEL STEWART, M P, Secretary of State for Foreign Affairs
The Right Hon. Sir FRANK SOKSIKE, C, M P, Secretary of State for the Home Department
The Right Hon. JAMES GRIFFITH, M P, Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M P, President of the Board of Trade
The Right Hon. ANTHONY CROSSLAND, M P, Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M P, Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M P, Minister of Technology
The Right Hon. FREDERICK LEE, M P, Minister of Power
The Right Hon. KENNETH ROBINSON, M P, Minister of Health (Item 1)
The Right Hon. FREDERICK WILLEY, M P, Minister of Land and Natural Resources (Item 2)
Sir DINGLE FOOT, Q C, M P, Solicitor-General (Item 2)
The following were also present:
The Right Hon. JAMES CALLAGHAN, M P, Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M P, Secretary of State for the Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M P, Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. FREDERICK WILLEY, Mr. AUSTEN ALBU, M P, Minister of State, Department of Economic Affairs
The Right Hon. EDWARD SHORT, M P, Parliamentary Secretary, Treasury

Secretariat:
SIR BURKE TREND
Mr. P. ROGERS
Miss J. J. NUNN
Mr. R. T. ARMSTRONG
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1. The Cabinet considered a Note by the Minister of Health (C (65) 37), to which was appended a copy of a letter sent by the Chairman of the Review Body on Doctors’ and Dentists’ Remuneration to the Prime Minister in response to the Government’s request for clarification of the Review Body’s Fifth Report on the pay of general medical practitioners, published in Cmnd. 2585.

The Minister of Health reminded the Cabinet that in this Report the Review Body had recommended that the pool of remuneration for general medical practitioners should be increased by about £5½ million (on account of the current and prospective increase in the workload of general practitioners) and that this additional money should be drawn upon, so far as necessary, in order to make possible the introduction of certain schemes, which had been agreed in principle between the Health Departments and the profession’s representatives, for direct reimbursement to individual doctors of certain of their practice expenses. The total increase recommended was considerably less than the doctors had envisaged; and the profession’s leaders had objected particularly strongly to the recommendation that the distribution of the additional money should be linked with the introduction of schemes for direct reimbursement of expenses, which had not been agreed by the profession as a whole. The British Medical Association (BMA) had therefore asked him to make the £5½ million available entirely in the form of an increase in the capitation fee. Having announced that the Government accepted the Report, he had been unable to accept this proposal; nor had he been willing to agree that he should invite the Review Body to indicate how effect should be given to their Report if the schemes for direct reimbursement of practice expenses were not introduced. He had acquiesced, however, in a procedure whereby the doctors themselves would raise this question; and he had agreed to transmit their enquiry to the Review Body. The Review Body’s reply made it clear that, if the schemes for direct reimbursement of expenses were not introduced, their recommendation that the remuneration of general practitioners should be increased by £5½ million would nevertheless stand. They had made it clear, however, that they would deplore a decision not to introduce the schemes, because they considered them to be in the best interests of the profession and of patients.

In these circumstances it seemed clear that the profession would not now agree to the introduction of the schemes for direct reimbursement of practice expenses. But since he had already agreed to enter into discussions with the profession’s representatives on the contract of service and methods of remuneration of general practitioners, it could be argued that the objectives which would have been partly met by the schemes for direct reimbursement of practice expenses could be secured in this more fundamental review. The negotiations for the purposes of this review would be liable to be protracted; and it might therefore be possible to defer the final determination of the amount of remuneration to be distributed
through the revised system until this question could be considered by the Review Body at the next of their regular reviews of the remuneration of general practitioners.

Meanwhile the British Medical Guild (an offshoot of the BMA) had called upon general practitioners to send in undated notices of withdrawal from the National Health Service, with authority to the Guild to date them and forward them to the Government. So far about 40 per cent of general practitioners had completed these notices. On 24th March a representative meeting of general practitioners would decide whether the Guild should send in, on 1st April, all resignations received up to that time, to take effect from 1st July. The decision would no doubt turn on the Guild's view of the progress of negotiations with the Government. It would therefore be necessary to make it clear to the profession's leaders that, if this threat of resignation was implemented, the Government would not be prepared to continue negotiations on the contract of service and methods of remuneration, since they would then be negotiating under duress.

In discussion the following main points were made:

(a) It would be regrettable if the profession frustrated the introduction of schemes which were intended to improve general practice; and, if the Government appeared to condone this attitude, those doctors who regarded the Review Body's original proposals as sensible and constructive would be disappointed. Direct reimbursement of expenses was bound to be a feature of any improved system; and the problem of financing it in its initial stages, if not dealt with on this occasion, would still have to be faced at a later stage. Nevertheless, the discussions on contract of service and methods of remuneration might be fruitful in this respect.

(b) In those discussions it should be made clear to the profession that there could be no question of any further increase in remuneration taking effect before the date of the next general review of doctors' and dentists' remuneration by the Review Body. The operative date of any increases recommended by the Review Body was not likely to be before 1st April, 1966.

(c) The obvious discontent among general practitioners was disquieting. The profession genuinely believed that their prestige and social status would be higher if they were in private practice; and it was incumbent on the Government to find, if possible, some means of allaying this discontent within the framework of a National Health Service. Remuneration was one important element to be taken into account; the provision of adequate facilities was another. The general public might be willing to pay more for the National Health Service than at present, and it might therefore be useful to examine, in the context of the fundamental review of social security arrangements which was currently in progress, the possibility of financing a larger proportion of the cost of the National Health Service by means of the National Insurance contribution.

The Prime Minister, summing up the discussion, said that the Cabinet would wish to congratulate the Minister of Health on the
dignity and restraint with which he had dealt with a difficult and potentially dangerous situation. They agreed, with some reluctance, that he should now abandon the schemes for direct reimbursement of practice expenses; should distribute the additional £54 million as a straight increase in the capitation fee (if the profession so agreed); and should enter into negotiations with the profession's leaders on the contract of service and methods of remuneration. It should be made clear to the profession, however, that there could be no further increase in the amount of remuneration until the next general review of doctors' incomes. The Cabinet should be consulted, in advance of any commitment, about any further changes which were likely to involve substantial additional expenditure.

The Cabinet—

(1) Took note of the letter from the Chairman of the Review Body on Doctors' and Dentists' Remuneration to the Prime Minister, appended to C (65) 37.

(2) Invited the Minister of Health, in dealing with the problems of doctors' remuneration, to be guided by the points made in discussion and in the Prime Minister's summing up.

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2. The Cabinet considered a memorandum by the Lord President of the Council (C (65) 34), as Chairman of the Ministerial Committee on Legislation on Rent, Land Commission and Leasehold Enfranchisement, about the establishment of a Land Commission.

The Lord President recalled that the Labour Party Election Manifesto had stated that a Land Commission would be established to buy building land for the public at less than market price, to make it available at cheaper prices and, in particular, to make it available to owner-occupiers under a system of "crownhold". The Ministerial Committee had come to the conclusion, however, that it would not be practicable for the Land Commission to buy all building land at the outset; and, in order to avoid an inequitable difference between the price paid by the Commission and the open market price, it was now proposed to introduce a levy on development value, payable on the sale of land or, residually, at the point of development. The Commission would collect the levy on private transactions and itself buy at market value net of levy. One consequence of the continuation of the present market would be that the price of land for housing could not be artificially reduced; but the cost to the purchaser could be offset by some form of concession or grant.

The major problems, which the Ministerial Committee had been unable to resolve, concerned the scope of the Commission's functions.
and the nature of its powers of compulsory purchase. In considering these it was necessary to take account, on the one hand, of the fact that, in the light of the acute shortage of valuers, the Commission would for some time be able to purchase only on a small scale and, on the other hand, of the possibility that the imposition of betterment levy, combined with the effect of the prospective capital gains tax, might constitute a disincentive to put land on the market which, if its effects became sufficiently widespread, could seriously retard the housing programme. Two alternative approaches to this problem had been considered by the Ministerial Committee. The Minister of Land had advocated a comprehensive approach, which would give the Commission permissive powers to acquire any land which had been the subject of a planning decision that it was suitable for development. Priorities within this field, to be prescribed by Ministerial direction, would be (i) to bring land forward for development when this was necessary to serve the needs of national and regional planning; (ii) to assemble in advance land to be comprehensively redeveloped; (iii) to purchase land for industrial and commercial use; and (iv) to make land available on concessionary terms for housing associations and in other ways for private housing. These functions would be matched by a compulsory purchase procedure which would allow the landowner to object only on the ground that the land in question ought not be developed in the foreseeable future; and successful objections would involve automatic revocation of planning permission without compensation. The Minister of Housing, on the other hand, had advocated that the Commission's functions should be confined initially to purchasing land where it was necessary to bring it forward for development or redevelopment; to secure comprehensive development or redevelopment; or to make it available for the functions of a public authority. It would be open to a landowner to object to a compulsory purchase on the ground that acquisition by the Commission was not necessary for one of these purposes, for example, because the land was about to be developed privately.

It could be argued that the comprehensive approach was necessary in order to give the Commission sufficiently effective powers of compulsory purchase to deter landowners from withholding their land, whereas, if the Commission were given only the more limited powers, there would be a risk that the supply of land would be restricted and that the Commission would be discredited. The only means of avoiding this would be to fix the levy at a level so low as to be derisory. On the other hand it could be maintained that, since the Commission would not be able to buy land extensively in its early years, it would be essential to fix the levy at such a rate that, having regard to the capital gains tax, there would be no incentive to withhold land from the market. This implied a low rate of levy, with the possibility of an increase at a later stage. Moreover, it might be politically unwise to confer on the Commission initially powers which would be more extensive than it was likely to be able to use in practice but would suggest widespread and arbitrary interference with the rights of the individual.
These problems resolved themselves into the question whether the Land Commission should be given at the outset the wide functions and corresponding powers proposed by the Minister of Land or whether the Bill should provide only the more limited functions for an initial period but enable wider functions to be conferred on the Commission after a second appointed day, to be determined by Order subject to Affirmative Resolution.

The Committee had also examined certain problems which arose in connection with the Commission’s powers to dispose of land, both to local authorities and to private occupiers. In considering how the benefits derived from the betterment levy could be used to help local authorities to purchase land, the Committee had considered the merits of enabling the Commission to pay a direct grant to the authorities concerned or, alternatively, of distributing the levy through whatever grant system emerged from the current reviews of local government finance. They had concluded that a decision could be reached only after discussion with local authorities in the light of these reviews and of subsequent legislation; and they had therefore recommended that the Bill should confer power on the Commission to make grants towards local authority land purchases in such circumstances and on such scale as the Minister of Land might by regulations direct but that, pending discussions with the local authorities, there should be no commitment on either the amount of the assistance or the manner in which it should be provided.

As a means of assisting owner-occupiers it was proposed that the Bill should give the Commission powers to make land available for owner-occupiers either through local authorities and housing associations or direct, on terms which could consist of a long lease or a covenanted freehold with a non-assignable interest or, alternatively, a form of tenure by which the freehold would belong to the Land Commission but the crownholder would have an assignable interest for the duration of the life of the house. The details would require further consideration.

It would be necessary to make special provision in the Bill in order to anticipate the twofold danger that, during the period between its introduction and the date on which it came into effect (which could hardly be earlier than January, 1967) some builders might be reluctant to buy land while others, who had stocks of land, might seek to start as much building as possible in order to avoid paying the levy. Since both these reactions to the Bill would be liable to disrupt the housing programme, it was proposed that land transactions during the period between the introduction of the Bill and its coming into effect should be disregarded for the purposes of assessing the levy and that builders should be allowed to develop, free of levy, stocks of land having planning permission which were in their possession at the date of introduction of the Bill, subject to further consideration of whether this concession should be subject to a time limit.
Functions and Powers of the Commission

In discussion of the functions and powers of the Land Commission there was general agreement that the Bill should confer, from the outset, the comprehensive functions and powers which the Commission was intended ultimately to exercise. Discussion turned on the stage at which, and the means by which, the wider powers should be made effective. On the one hand it was argued that, in view of the intrinsic difficulty of the problem and of the failure of all previous measures designed for its solution, it would be desirable to proceed circumspectly during the early years when the Commission would inevitably be able to operate on only a small scale, lest it should find itself faced with widespread reluctance to sell land and be unable to use its powers of compulsory purchase on a sufficiently extensive scale to sustain necessary development. In this situation a low levy, combined with the fact that the capital gains tax, being based on values at April, 1965, would also exert only a gradual impact, would constitute an incentive to sell, whereas the threat of the use of extensive powers of compulsory purchase might cause landowners to hold back their land in the hope of a change of Government. On the other hand a Bill which did not confer wide powers at the outset would be liable to be the subject of embarrassing amendments moved by the Government's own supporters, who would be concerned that it should appear to give full effect to their political commitment. A possible reconciliation of these conflicting considerations, however, might be found in the fact that, with two exceptions, the priorities which the Minister of Land proposed to prescribe within the wide field of the Commission's powers to acquire any land designated for development did not appear to differ essentially from the limited functions which the Minister of Housing proposed should be conferred on the Commission initially. The exceptions were the purchase of land for industrial and commercial use and the purchase of land to be made available on concessionary terms for housing associations and in other ways for private housing. There would be no objection to the addition of the latter to the list of limited functions; and, since the Board of Trade already had adequate powers to buy land for the purpose of encouraging the establishment of industry in development districts, there was no need for the Commission to exercise similar powers, although it might be desirable to enable it to do so in the long run. On this basis the proposed limited functions should be sufficient to enable the Commission to ensure that land would be brought forward for development or comprehensive redevelopment. As regards the powers of compulsory purchase with which the Commission should be invested, the difference between the approach advocated by the Minister of Land and that recommended by the Minister of Housing seemed to lie in the fact that under the former the onus would lie on the landowner to show why his land should not be developed, whereas under the latter the onus would lie on the Commission to show that the land was required for development. The second might be the easier to commend politically; and it appeared to be adequate for the task which the Commission would have to seek to discharge in its early stages. It would be important, however, to ensure that
the Commission would be able to exercise the wider functions and powers at a date fixed by means which could not be inhibited, as could the Affirmative Resolution procedure, by the House of Lords. This might be achieved by providing that the additional functions and powers would be made available to the Commission on a date fixed by direction of the Minister of Land; and control by the House of Commons could be safeguarded by an undertaking that the Minister would make such a direction only if authorised to do so by a Resolution of the House of Commons after a full debate.

The Prime Minister, summing up this part of the discussion, said that it was agreed that the Bill should confer on the Commission the comprehensive functions and powers proposed by the Minister of Land but that these should be made available to the Commission in their entirety only on a date to be fixed by direction of the Minister on a Resolution of the House of Commons. In the initial stage the functions and powers should be those proposed in paragraph 9(ii) of C(65)34, with the addition of the function of purchasing land for the purpose of making it available on concessionary terms for housing associations and in other ways for private housing. Power to purchase land for commercial and industrial purposes should be included in the Bill; but it would probably suffice if it were made available to the Commission only at the second stage. An undertaking should be given in the proposed White Paper on the Bill, and in debate, that the Government’s intention to make the wider functions and powers available to the Commission in due course would be submitted for debate by the House of Commons.

The Cabinet—
(1) Agreed that the Land Commission Bill should be drafted and presented, as regards the functions and powers of the Commission, on the lines indicated by the Prime Minister in his summing up.

Assistance to Local Authorities and Owner-Occupiers
In discussion of the proposal to confer power on the Land Commission to make grants towards the cost of purchases of land by local authorities it was suggested that, as soon as the Commission was invested with a statutory power to this effect, it would be subject to increasing pressure from local authorities to exercise it, whereas it might be preferable that it should be allowed initially to build up a fund to finance its purchases and its concessionary disposals to owner-occupiers before beginning to make money available to local authorities. Moreover, if the Central Government were not to bear a disproportionate part of the cost of land purchased by local authorities, the amount of the benefit which the latter were to be given as a result of the levy would have to be considered in conjunction with any proposals for a revised level of general grant which might result from the current reviews of local government finance. On the other hand, in view of the undertaking in the Labour Party’s Election Manifesto to reduce the price of land, it would be
necessary to make it clear that local authorities, who might have to pay higher prices for land as a result of the levy, would receive some immediate benefit from it.

As regards the proposals for the disposal of land by the Commission to private occupiers, it was suggested that it might be preferable, in giving effect to the concept of "crownhold", to avoid complicating the law of property by introducing a new form of tenure which would be neither leasehold nor freehold. The simplest solution of the problem seemed to lie in the grant of a 999-year lease, which could be made subject, on the analogy of Crown land in certain other countries of the Commonwealth, to conditions specifying the form of development to be undertaken on the land. This would avoid a number of practical problems which would result from an attempt to create a new form of freehold; and its only disadvantage appeared to be that it might be thought to be inconsistent with the Government's undertakings on leasehold enfranchisement. But the grievances which were liable to develop when leasehold property reverted to a private landlord, including the extortionate prices often demanded for the renewal of leases, should not arise if the landlord were the Land Commission, particularly if it was clear that the leases would run for 999 years. By contrast, the form of crownhold proposed in paragraph 21 of C (65) 34 would have two of the disadvantages of ordinary leasehold tenure, in that the property would decrease in value and would ultimately revert to the landlord. A long lease, therefore, seemed to be preferable as a basis for crownhold; but the details would need further consideration, particularly in relation to Scotland, where it would be preferable to avoid introducing the alien concept of leasehold and to seek to make within the ambit of the existing law arrangements comparable to those proposed for England.

The Prime Minister, summing up this part of the discussion, said that it might be desirable, in order to safeguard the position of the Treasury, to provide that the exercise by the Minister of Land of the proposed power to make regulations about grants to local authorities should be made subject to the consent of the Treasury. Otherwise, the proposals in paragraph 19 of C (65) 34 might be regarded as approved in principle; but the Ministers concerned should consider further the arrangements for financing the operations of the Commission with regard both to its purchases and to the means whereby it might most appropriately provide assistance to local authorities and owner-occupiers. Further consideration should also be given to the details of the proposals for crownhold; but the balance of advantage appeared to incline in favour of arrangements based on a long lease.

The Cabinet—

(2) Approved in principle the proposals in paragraph 19 of C (65) 34, subject to the requirement that the Minister of Land should secure the agreement of the Treasury to regulations about grants to local authorities in respect of their purchases of land.
Invited the Minister of Land to consider further, in consultation with the Ministers concerned, the arrangements for financing the operations of the Land Commission.

Approved the recommendation that the Bill should empower the Land Commission to make land available for owner-occupiers, either through housing associations or local authorities or direct, on crownhold terms, and invited the Minister of Land to give further consideration, in the light of their discussion and in consultation with the Ministers concerned and with the Law Officers, to the details of a system of crownhold tenure.

Interim Arrangements

In discussion of the proposed arrangements to prevent the disruption of housebuilding during the interval between the introduction of the Bill and the date on which it came into operation it was suggested that it would be necessary for that date to be prescribed in the Bill itself, in order that the period during which special arrangements would apply might be clearly defined. But the Minister of Land should be empowered to postpone the date by direction, should it prove necessary to do so.

The Cabinet—

Approved the recommendations in paragraph 26 of C (65) 34, subject to the inclusion in the Bill of a provision, on the lines proposed in discussion, prescribing the date on which it would come into operation.

Cabinet Office, S.W.1,
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday 4th March, 1965,
at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, First Secretary of State for Economic Affairs
The Right Hon. JAMES CALLAGHAN, M P, Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M P, Secretary of State for the Colonies
The Right Hon. ANTHONY CROSLAND, M P, Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M P, Chancellor of the Duchy of Lancaster
The Right Hon. FRED PEART, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M P, Minister of Transport
The Right Hon. HERBERT BOWDEN, M P, Lord President of the Council (Items 3-6)
The Right Hon. MICHAEL STEWART, M P, Secretary of State for Foreign Affairs
The Right Hon. Sir FRANK SISKIE, Q C, M P, Secretary of State for the Home Department
The Right Hon. JAMES GRIFFITHS, M P, Secretary of State for Wales (Items 2-6)
The Right Hon. THE EARL OF LONGBOROUGH, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M P, Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. FREDERICK LEE, M P, Minister of Power (Items 2-6)
The Right Hon. BARBARA CASTLE, M P, Minister of Overseas Development

The following were also present:
The Right Hon. ROY JENKINS, M P, Minister of Aviation (Item 4)
The Right Hon. GEORGE WIGG, M P, Paymaster General (Item 2)
Mr. CLEDWYN HUGHES, M P, Minister of State, Commonwealth Relations Office (Item 5)
Mr. JOHN DIAMOND, M P, Chief Secretary, Treasury (Items 1-4)
The Right Hon. EDWARD SHORT, M P, Parliamentary Secretary, Treasury

Secretariat:
SIR BURKE TREND
Mr. P. ROGERS
MISS J. J. NUNN
Mr. R. T. ARMSTRONG

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1. The Foreign Secretary said that we still awaited a response from the Soviet Government to the proposal which we had put to them on 20th February, that, as co-Chairmen of the Geneva Conference, we should seek the views of the Powers concerned on a possible basis for a settlement of the conflict in South Vietnam. Meanwhile, the United States Government had informed the President of the Security Council that peace could be restored if North Vietnam ceased to attack the South; and their case had been considerably strengthened by the recent capture of a ship carrying large supplies of munitions from North Vietnam to the Viet Cong in South Vietnam. The recent report by the International Control Commission on the situation had been marked by a clear division of opinion. The Soviet Government, in accordance with their custom in this respect, considered that, since it was not unanimous, it should not be published. For our part, however, we favoured its publication.

In discussion some disquiet was expressed about the public position of the Government, particularly in the face of growing Parliamentary pressure, as long as we refrained from disclosing the initiative which we had recently taken. There was general agreement, however, that the best course for the time being would be to maintain our diplomatic pressure on the United States Government to agree to a conference of the Powers concerned.

The Cabinet—

took note of the statement by the Foreign Secretary.

2. The Cabinet considered a memorandum by the Secretary of State for Defence (C (65) 36) on the National Army Museum.

The Secretary of State for Defence said that the National Army Museum contained many items of great value and had attained the status of a national collection which was of interest and value outside the Army itself. It was at present housed in an old riding school in the grounds of the Royal Military Academy, Sandhurst. But these premises were inadequate and could not be enlarged; and there was therefore no alternative to moving the Museum elsewhere. The Commissioners of the Royal Hospital, Chelsea, had offered a site in the hospital grounds and £500 a month was being paid from private funds to retain this option. The capital cost of the lease and the erection of a new museum was expected to be about £1 million, which the Council of the Museum intended to raise by public appeal. Promises of over £300,000 had already been secured. But the move would also involve increased costs of maintenance, amounting to about another £100,000 a year; and these would have to be met from public funds. The proposal might also be criticised on the grounds that cultural activities should be dispersed from London. But the site at Chelsea was uniquely appropriate; and the general public could not be expected to contribute so willingly to the capital
fund if the Museum were moved elsewhere. The 18th June, being the 150th anniversary of the Battle of Waterloo, would be a suitable moment for launching the appeal.

The Chief Secretary, Treasury, advised that the museum should not be moved to London. The additional cost to public funds of £100,000 a year for maintenance, although unwelcome, was not an overriding factor. The major consideration was that institutions of this kind should, as a matter of national policy, be dispersed rather than centred in the capital. It was relevant that consideration was also being given to the establishment of a museum for the Royal Air Force; and agreement to the move of the National Army Museum to the Chelsea site would no doubt lead to pressure that its RAF counterpart should also be established in London. Moreover, there was no certainty that the public appeal would be successful in raising the sum of £1 million which would be required for the capital cost of the museum; and the Government might then be expected to subscribe the balance. But any Exchequer contribution to the expenditure involved by the Museum would be less open to objection if it were sited, in accordance with the policy of dispersal, elsewhere than in London. If the Chelsea site were not used for the museum, planning permission had been given for the erection of a large block of flats on it.

In discussion, it was suggested that cultural institutions of this kind should, as far as possible, be dispersed from London both in order to contribute to the relief of overcrowding in London and in order to enhance the attraction of other centres of population. On the other hand the Chelsea site was uniquely suitable for the purpose envisaged; and to locate the museum elsewhere would be liable to diminish public response to the appeal. Nor would it be consonant with the Government’s policy to approve, at this juncture, the construction of a large block of luxury flats on the site in question. If the site were not brought into use, however, the deficit on the upkeep of the Royal Hospital would be liable to persist, with a consequent further call on public funds.

The Prime Minister, summing up the discussion, said that the Cabinet were on balance in favour of moving the National Army Museum to the Chelsea Hospital site. A decision to this effect, however, must be conditional on there being no commitment on the part of the Government to subscribe to the capital cost if public subscriptions fell short of the sum required. Moreover, no undertaking should be given about the date when permission might be granted for building to start, since this must be decided in accordance with the Government’s policy on the desirable level of building in London. Finally, there should be no suggestion that, as a corollary of this decision, the RAF Museum, if it were eventually founded, might be sited in London. That issue must be decided on its merits at the appropriate time; and meanwhile the sponsors of the RAF Museum should not solicit subscriptions on the basis of any assumption that the museum would be in London, since otherwise the Government might find themselves partly committed on this point.
The Cabinet—

(1) Approved C (65) 36, subject to the points made in the Prime Minister's summing up of their discussion.

(2) Invited the Secretary of State for Defence to arrange for the sponsors of the proposal for an RAF Museum to be informed of the sense of the Prime Minister's summing up.

3. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

4. The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster, as Chairman of the Home Affairs Committee (C (65) 38) on soundproofing private houses near London Airport.

The Chancellor of the Duchy of Lancaster said that the Home Affairs Committee had been unable to reach agreement on proposals to assist householders in the neighbourhood of London (Heathrow) Airport to improve the insulation of their houses against noise. The volume of traffic and the use of jet aircraft at Heathrow were increasing; and the level and incidence of noise in the area were significantly higher than in 1962, when the Committee on the Problem of Noise (the Wilson Committee) reported that many people living near the airport were already subjected to a greater degree of noise than they could reasonably be expected to tolerate. Restrictions had been imposed on the number of night flights by jet aircraft during the summer months; but there was increasing difficulty in enforcing them in the face of pressure from the airline operators and their Governments and it was estimated that, if the airlines' requirements for night passenger and all-freight flights were to be met, the number of jet flights between 11.30 p.m. and 6.30 a.m. in the summer months would have risen by 1970 from the 3,500 permitted for 1965 to 10,000. It would not be possible to allow an increase on this scale unless measures were taken to reduce the impact of noise on householders in the area. It was accordingly proposed that a 50 per cent grant, up to a maximum of £100, should be offered to owners or occupiers of houses erected before January 1966 for improving the insulation of part of their houses. The grant would be available to persons living within an area defined by reference to the incidence and the intensity of noise and would be paid, through local authorities, by the new Airports Authority. It was estimated that 40 per cent of those eligible would avail themselves of the grant and that the total cost would amount to £2\frac{1}{2} million, which, amortised over 20 years, would cost the Airports Authority £220,000 a year. The necessary powers could be conferred on the Airports Authority by an amendment of the Bill establishing the Authority, which was now before Parliament.
The arguments in favour of this scheme were partly social—that householders should be protected against intolerable noise—and partly economic—that it was financially unsound not to use to the full the facilities at Heathrow and that to restrict the growth of traffic, particularly in freight, would be disadvantageous to the economy. It could also be argued that, since the Airports Authority would make a profit, no part of the cost of servicing the loan required to finance the proposed grants would fall on the taxpayer and that, since Heathrow was unique in the level of noise which it was liable to generate, the scheme would not, at least for many years to come, expose the Government to irresistible pressure for similar concessions elsewhere. On the other hand it could be held that it was unrealistic to suppose that the proposed scheme would prevent a public outcry against the unrestricted operation of jet aircraft; that the demand for grants, and consequently the cost of the scheme, would be greater than had been estimated; that the burden on the Exchequer of providing the necessary loan could not be justified in present circumstances; and that, if the Government approved the proposed scheme in relation to householders, they would be pressed not only to introduce corresponding measures in the case of schools and possibly hospitals in the area but also to make a similar concession to householders disturbed by noise from other sources.

In discussion there was considerable support in principle for the intention to protect residents in the area most exposed to noise from Heathrow. On the other hand, once the principle of compensation for nuisance caused in the exercise of statutory functions was conceded, there would be demands for similar assistance not only from householders on the borders of the area prescribed for the purpose of the proposed grant but also from individuals who claimed to suffer from other forms of noise. In the light of the progressive introduction of more powerful aircraft the level of noise at military airfields would approach that at Heathrow; and the arrangements which were necessary to bring heavy commercial traffic into city centres created a volume of noise, particularly at night, from which householders might justifiably expect to be protected. Moreover, certain industrial processes which continued through the night were already the subject of complaint; and, although in respect of these there were legal remedies which were not available to householders disturbed by noise from airports, these remedies were of limited value.

It was suggested that, in view of the possible extension of the demand for protection against noise, it would be desirable, before a decision was taken, to obtain estimates of the expenditure to which the Government might ultimately be exposed. On the other hand the problem had already been examined over a considerable period and a decision was now of some urgency, particularly since, if the current opportunity to confer the necessary statutory powers on the Airports Authority were lost, it might be necessary to find time for ad hoc legislation in a later Session. Even so, in view of the risk that the Government would be liable to be subjected to increasing pressure in future to provide protection against noise, it would be important to establish the principle that an undertaking whose operations

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produced intolerable noise should bear their social cost; and consideration should therefore be given not merely to ensuring that the normal revenues of the Airports Authority were sufficient to service the proposed loan but also to the possibility of imposing additional charges in respect of night flights by jet aircraft. This might, on the one hand, provide funds to meet any increase in the demand for grants within, and on the borders of, the prescribed area and, on the other hand, provide an incentive for operators to keep night flights to the minimum and, where possible, to make use of Gatwick Airport, and in due course Stansted, as an alternative to Heathrow. These courses should be explored, despite the fact that it might be difficult to raise additional revenue, as distinct from introducing differential charges to discourage night flights, in view of complaints from operators that the charges at Heathrow were already excessive.

In further discussion the following points were made:

(a) The proposed grants should not extend to individuals who moved into the prescribed area after 1st January, 1966, even though the houses in question might have been built before that date, since they must be presumed to have acquired them at a reduced price in view of their proximity to the airport.

(b) It would be desirable to maintain pressure, possibly in concert with other Governments, on aircraft operators and manufacturers to find means of reducing the nuisance of noise caused by aircraft.

(c) Since it was unlikely, however, that the noise of jet aircraft could be reduced substantially, consideration should be given in future to placing airports at a distance from residential areas and providing more rapid transport, possibly by monorail, into city centres.

The Prime Minister, summing up the discussion, said that the Cabinet were in general agreement with the proposals set out in C(65) 38. But in view of the clear risk that those proposals might provoke demands for protection in other areas and against other forms of noise, it should be made clear that the cost of the grants would be met ultimately by the operators; consideration should be given to the imposition of additional charges to discourage excessive use of jet aircraft at night; and further thought should be given to the question whether any further steps could be taken, perhaps in consultation with other Governments, to encourage operators and manufacturers to find means of reducing the nuisance of noise caused by aircraft.

The Cabinet—

(1) Approved, subject to the point made at (a) above, the proposals in C(65) 38.

(2) Invited the Minister of Aviation in consultation with the Ministers concerned, to give further consideration, in the light of their discussion, to the possibility of imposing
5. The Minister of Agriculture, Fisheries and Food recalled that the Agricultural Ministers had been authorised, for the purposes of the current Farm Price Review, to make the Farmers' Unions an initial offer of an increase in the value of farm guarantees and production grants which, together with the estimated increase in efficiency, would suffice to cover the increase in costs over the last year. The Cabinet had also invited the Chancellor of the Duchy of Lancaster, as Chairman of the Ministerial Committee on the Farm Price Review, to arrange for the Cabinet to be consulted further, in the light of the course of the negotiations, about the final offer to be made by the Government.

The Agricultural Ministers had now made an initial offer of an increase of £4 million in the value of guarantees and grants, as authorised by the Cabinet. The reaction of the Farmers' Unions had been strongly adverse. The Agricultural Ministers had therefore proposed in the Farm Price Review Committee that they should be authorised to improve upon the initial offer, within a total limit of an increase of £11 million in the value of guarantees and grants. This would be a tenable position, which Agricultural Ministers could defend with better prospects of success than the initial "break even" offer. The Farm Price Review Committee had felt that some improvement in the original offer would be justifiable, if it was likely to assuage the dissatisfaction of the Farmers' Unions significantly; but they had considered that there was not sufficient evidence on this point to enable them to reach a decision. Subsequent informal discussions with the Unions, however, suggested that their more moderate elements would be disposed to adopt a reasonable attitude, if possible, and that an improvement of the offer on the lines proposed might, therefore, avert a major clash between the Government and the Unions.

In discussion the following main points were made—

(a) A determination which provided an increase of £11 million in the value of guarantees and grants would represent about £20 million more than the minimum determination which was permissible. This would constitute a significant and unwelcome addition to Government expenditure, for which provision would have to be made in the Budget.

(b) It would be desirable to avoid a major dispute with the Farmers' Unions, in the hope of preserving their goodwill in relation to the Government's long-term policies on agriculture.

(c) Particular care should be taken to ensure that the changes proposed in the arrangements in connection with the price of pigs did not add further to the total value of the increases in guarantees proposed.
The Prime Minister, summing up the discussion, said that the Cabinet agreed that the Agricultural Ministers should be authorised to improve upon the initial offer to the Farmers' Unions, within a limit of a total increase of £11 million in the value of price guarantees and production grants.

The Cabinet—
(1) Authorised the Secretary of State for Scotland, the Minister of Agriculture, Fisheries and Food and the Minister of State, Home Office, to offer to the Farmers' Unions, for the purposes of the current Farm Price Review, increases in the value of price guarantees and production grants not exceeding £11 million in total.
(2) Invited the Chancellor of the Exchequer and the Minister of Agriculture, Fisheries and Food to arrange for further consideration to be given to measures to ensure that no additional Exchequer liability would be created as a result of changes in the arrangements in connection with the price of pigs.

6. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C (65) 35) about the deduction of union subscriptions from pay.

The Chancellor of the Exchequer said that the Union of Post Office Workers (UPW) had recently renewed their request to the Post Office that arrangements should be made for the deduction of union subscriptions from pay. Earlier requests to this effect had been rejected, since the UPW had been unable to persuade the other unions represented on the Staff Side of the National Whitley Council to join them in sponsoring the proposal. The Staff Side had now decided, however, to ask that the facility should be granted to any recognised Civil Service Staff Association which sought it.

There were strong arguments in favour of acceding to this request. An arrangement of the kind proposed would be of considerable benefit to large staff associations; it should be welcomed by management as offering economies in the time at present consumed by individual collection; and it should contribute to a general improvement in efficiency and productivity. Moreover, the practice of deduction was growing in private industry and in the nationalised industries; and, provided that the arrangements remained on an entirely voluntary basis, they could not be represented as bringing any political pressure to bear on civil servants. Similarly, if a charge of 2½ per cent to cover the costs of deduction were raised against the staff association, there could be no question of the Government's permitting improper use of official facilities for political purposes. Such a charge might more plausibly be sustained as regards the political levy in cases where this was an element in the deduction. But this objection might be met by an
arrangement whereby deductions would be made on the basis of two rates, applicable respectively to those who authorised the deduction in full and those who wished it to be made net of the levy. If such an arrangement were accepted by the Staff Side as adequately protecting their members against any risk of political pressure, the Government themselves need not be unduly concerned on the point.

In discussion, there was some support for these proposals. It could be argued to be wrong that the Government, in their capacity as employer, should refuse to the unions a facility which an increasing number of employers were already conceding; and this consideration was particularly relevant in the case of the Post Office unions, since the practice of deduction was already well established in the nationalised industries, with which the Post Office, despite its formal status as a Government Department, had some affinity. The voluntary basis of the proposed scheme, together with the special arrangements envisaged in relation to the political levy, would provide individuals with a sufficiently wide range of choice to enable the Government to rebut any allegation that they were attempting to influence the political affiliations of public servants. On the other hand, if they rejected the request, the pressure by the Post Office unions for the establishment of the principle of the "closed shop" among Post Office workers could be expected to increase; and this would present the Government with a potentially embarrassing political issue.

On the other hand it could be argued that, however defensible the proposal might be on merits, it would not be so understood by public opinion, which might regard it as the first stage in a process whereby the Government could, if they so wished, use the official facilities at their disposal to advance the interests of the Labour Party and, perhaps, to acquire knowledge about the political affiliations of individual civil servants in so far as these were disclosed by the arrangements for payment of the political levy. The proposal would also be liable to be seen as an indication that the unions had some support from the Government in their attempts to establish the principle of the "closed shop"; and to that extent the Government would be exposed to the charge that it was attempting to exert a degree of political coercion on its employees. This suspicion would not necessarily be dispelled even if the Government firmly rejected the current application by the Post Office unions for the establishment of this principle among Post Office workers.

*The Prime Minister,* summing up the discussion, said that these conflicting considerations clearly needed further examination before the Cabinet could reach a decision.

The Cabinet—

Took note that the Prime Minister would arrange for the issues raised by C (65) 35 to be considered in greater detail.

Cabinet Office, S.W.1,

SECRET
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 11th March, 1965,
at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, First Secretary of State and Secretary
of State for Economic Affairs (Items
1-5)
The Right Hon. LORD GARDINER, Lord
Chancellor
The Right Hon. DENIS HEALY, M P, Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M P, Secretary of State for Common-
wealth Relations
The Right Hon. JAMES GRIFFITHS, M P, Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M P, President of the Board of Trade
The Right Hon. ANTHONY CROSSLAND, M P, Secretary of State for Education
and Science
The Right Hon. DOUGLAS HOUGHTON, M P, Chancellor of the Duchy of
Lancaster
The Right Hon. FRANK COUSINS, M P, Minister of Technology
The Right Hon. TOM FRASER, M P, Minister of Transport

The following were also present:
Mr. JOHN DIAMOND, M P, Chief
Secretary, Treasury
The Right Hon. SIR ELWYN JONES, Q C, Attorney-General (Item 6)
The Right Hon. EDWARD SHORT, M P, Parliamentary Secretary, Treasury

Secretariat:

Sir BURKE TREND
Mr. P. ROGERS
Miss J. J. NUNN
Mr. A. A. JARRATT

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1. The First Secretary of State expressed to the Prime Minister the Cabinet's warm congratulations on the anniversary of his birthday.

The Prime Minister thanked his colleagues for their good wishes.

2. The Lord President said that on 5th March the House of Commons had adopted a Motion that Standing Committee C should be discharged from further consideration of the Murder (Abolition of Death Penalty) Bill and that the Bill should be committed to a Committee of the whole House. In this situation four courses of action appeared to be open to the Government:

(a) To accept the decision of the House. This would imply devoting four or five days of Parliamentary time to the Committee stage of the Bill and, possibly, a further three days to its remaining stages.

(b) To send the Bill back to Standing Committee by Resolution of the House, in order that the discussion should be resumed at the point at which it had been interrupted. The necessary Motion, however, would occupy most of one day; and, since the Opposition had indicated that they might table a number of amendments on Report, a further three or four days might be occupied by the remaining stages of the Bill.

(c) To accept the decision of the House but to secure, by Resolution, that the House should sit on Wednesday mornings for consideration of the Committee stage of the Bill. If all amendments could be defeated, this would enable the Government to dispense with a Report stage; but they might then be subjected to pressure to accord similar treatment to other Private Members' Bills.

(d) To abandon the attempt to secure the passage of the Bill in the current Session.

The balance of advantage appeared to incline in favour of adopting the third course.

In discussion it was generally agreed that the Bill ought, if possible, to be passed in the current Session. In favour of the course recommended by the Lord President it was argued that the advantage which the Government might enjoy over the Opposition in securing the attendance of their supporters on Wednesday mornings might discourage the Opposition from attempting to secure the committal of other Bills to a Committee of the whole House. On the other hand to adopt a novel means of dealing with the Murder (Abolition of Death Penalty) Bill might suggest that the Government attached disproportionate importance to a measure which did not command the unanimous support of public opinion; and it might be preferable, therefore, to deal with that Bill during normal hours of sitting and to devote Wednesday mornings to the Committee stage
of some other measure. This, however, might create embarrassment, since no Government Bills which could be dealt with in this manner were at present available and to transfer Private Members' Bills from Standing Committee C to a Committee of the whole House would be liable to give undue prominence to measures which, in some cases, the Government might not wish to see enacted.

In further discussion it was suggested that certain of the Government's supporters might move an amendment to the Bill to provide for the establishment of an independent body to advise the Home Secretary on the exercise of his discretion to release persons subject to life imprisonment. This proposal was designed to allay public anxiety; but it would nevertheless be desirable to seek to dissuade its supporters from moving the relevant amendment in Committee in order to avoid the expenditure of Parliamentary time on a Report stage.

The Prime Minister, summing up the discussion said that the Cabinet agreed that the least objectionable course would be to accept the decision of the House committing the Bill to a Committee of the whole House and to arrange for it to be so considered at special sittings on Wednesday mornings. Provided that the principle of a free vote on the issue of the death penalty was preserved, arrangements should be made to prevent, if possible, the adoption of any amendments to the Bill.

The Cabinet—

Invited the Lord President to make arrangements for the further consideration of the Murder (Abolition of Death Penalty) Bill on the lines indicated by the Prime Minister in his summing up of their discussion.

3. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

4. The Prime Minister said that it had come to his attention that at a recent unofficial meeting in the House of Commons, which had been attended by several members of the Government, there had been some discussion about the forthcoming legislation on the re-nationalisation of iron and steel. It was undesirable that speculation on this subject should be encouraged, particularly at a time when the Cabinet had not yet considered the form and content of the relevant Bill; and all Ministers should therefore take great care to avoid being drawn into any discussion which might throw doubt on the collective responsibility of the Government in relation to this politically sensitive issue.
5. The Prime Minister said that the outcome of the visit which he and the Foreign Secretary had recently paid to the Federal German Republic had been reasonably satisfactory, particularly since German public opinion had been favourably impressed by the fact that United Kingdom Ministers had visited Berlin before proceeding to the Federal capital at Bonn.

In the discussions in Bonn the Federal Government had emphasised their concern to promote some new initiative by the Western Powers in relation to the reunification of Germany; and we had agreed that discussions for this purpose should be undertaken within the Ambassadorial Group in Washington. We had also expressed the hope that the Federal Government would be equally disposed to sponsor an Anglo/German initiative on the organisation of the nuclear capability of the North Atlantic Treaty Organisation (NATO); but they had been reluctant to endorse this procedure wholeheartedly and had been anxious to ensure that in the discussions now to be undertaken in the Working Group in Paris the original proposals for a multilateral nuclear force should still figure no less prominently than our own project for an Atlantic Nuclear Force.

The Federal authorities had been not unsympathetic to our suggestion that, despite the absence of any prospect that the United Kingdom could accede to the European Economic Community (EEC) in the near future, discussions should now be undertaken about the means by which closer functional links between the Community and the European Free Trade Association (EFTA) might be created. It would be desirable, therefore, to give further consideration to the basis on which we might recommend to our associates in EFTA that such discussions should be set in train.

On the issue of the contribution made by the Federal Government to the foreign exchange costs of maintaining United Kingdom forces in Germany we had made very clear to the Federal authorities the dissatisfaction with which we viewed the operation of the current Agreement for this purpose. The Federal Chancellor, Dr. Erhard, had therefore undertaken to issue instructions to the Federal Ministries concerned to seek fresh means of offsetting the costs in question by increasing Federal purchases in the United Kingdom in relation both to the requirements of the Federal Government for their own purposes and to certain ventures of overseas development to which they might contribute. These possibilities should now be vigorously explored by the United Kingdom departments concerned. At the same time we had made it clear to the Federal Government that we proposed to undertake a further review of the current Agreement in a few months' time and that, unless some means of improving its operation had by then been devised, we might be compelled to suggest that the Agreement should be abrogated at the end of the first year of its two-year currency and that a new two-year Agreement should be negotiated on a more acceptable basis, to run from 1st April, 1965, to 31st March, 1967.
In discussion, the Cabinet expressed their appreciation of the efforts which the Prime Minister and the Foreign Secretary had made to improve relations between the United Kingdom and the Federal Republic of Germany. It was suggested that, in negotiating any fresh arrangements to promote Federal purchases in the United Kingdom in relation to development projects in other countries, we should take care to ensure that the content and timing of our own projects of overseas development were not adversely affected.

The Cabinet—

(1) Took note, with approval, of the Prime Minister’s statement about the discussions which he and the Foreign Secretary had recently held with representatives of the Government of the Federal German Republic.

(2) Took note that the Prime Minister would arrange for further consideration to be given to the basis on which we might propose to our associates in the European Free Trade Association that the Association should seek to take a fresh initiative in establishing closer functional co-operation with the European Economic Community.

The Foreign Secretary said that the meeting of the Western European Union in Rome, which he had attended after leaving Bonn, had also been broadly satisfactory. With the exception of the representative of the French Government who had adopted an unco-operative attitude throughout the proceedings, the spokesmen of the other Governments had responded favourably to our suggestion that they should collaborate with us in seeking to establish closer functional links between EEC and EFTA; and they had also expressed satisfaction with the measures which we were taking to strengthen the United Kingdom economy.

The Prime Minister said that there had been no change in the situation as regards Vietnam since he had last stated the Government’s policy in the House of Commons on 9th March.

There was still no response from the Soviet Government to our proposal that the Governments concerned should be invited to indicate their views about a possible basis for a settlement of the conflict. The forthcoming visit of the Soviet Foreign Minister, Mr. Gromyko, might, however, enable us to explore this possibility more effectively.

The Cabinet—

(3) Took note of these statements.

6. The Cabinet considered a memorandum by the Minister of Transport (C (65) 41) on rail closures.

The Minister of Transport recalled that in a Parliamentary Statement on 4th November, 1964, he had undertaken to withhold consent to any major closure which would be likely to conflict with the regional transport plans now in preparation; to insist, in cases
where consent was given, that the track should be retained, unless this was clearly unnecessary, and to institute a new procedure for ensuring that proposals for closures which were clearly unacceptable should not, at least for the present, be put forward by the Railways Board at all. Nevertheless, opposition to closures had recently intensified, particularly from the railway unions; and there was now considerable Parliamentary support in principle for the Bill introduced by Sir Alexander Spearman, M.P., which would give the Government power to rescind consents given by the previous Administration. Acceptance of this Bill, however, would entail reopening the 150 consents which had been given in the last 18 months; and this would not only place the Railways Board in an impossible position but also create considerable local uncertainty and agitation. Moreover, a review of this kind would take a long time and would be unlikely to result in the reversal of more than a few, if any, of the previous decisions. As regards the closure of freight lines and depots, on which the opposition of the railway unions was mainly concentrated, he had no power to intervene. Nor would intervention be justifiable, since these closures would enable the railways to carry an undiminished volume of traffic more efficiently and economically and, it was unlikely that the transport study now being undertaken by Lord Hinton would produce results which were inconsistent with the current policies of the Railways Board in this respect. In short, the closure programme was an integral part of the reshaping of the railways; and, by eliminating waste and releasing resources for more productive use, it should enable them to discharge more effectively their major tasks of transporting freight and passengers over longer distances, as well as maintaining commuter services. These considerations, coupled with the major financial economies which the programme should yield, justified the Government in adhering to their present policy.

In discussion the following main points were made:

(a) In the last two years railway manpower had been reduced by 16 per cent, passenger miles had decreased by only 4 per cent and ton miles had increased by 5 per cent. As a result, the Railways Board had been able to absorb wage increases of some £40 million and their deficit had been reduced by some £30 million. Even if the savings had been derived mainly from the reduction in manpower and the increase in freight traffic had been less than the growth in freight generally, the improvement denoted by these figures was significant; and any major departure from present policies, particularly any attempt to halt freight closures would inevitably reverse this process. As against this consideration it would be mistaken to assess the results of current policies only in terms of the improved return on the Board's own assets which they secured; and the balance of economic advantage in relation to any individual closure proposal should take account not only of the effect on the Board's finances but also of the impact on the economic life of that section of the community affected by the closure.
(b) It would help to put the Government's policy in better perspective if the established procedure for making a preliminary examination of major closure proposals at an early stage, with a view to rejecting those which were clearly unacceptable, could be shown to be really effective by arranging for a small number of such proposals to be brought forward in the near future for rejection. The Railways Board, however, had preferred to withdraw one case of this kind rather than to allow it to be rejected. Moreover, it would in any event take the Board some time to submit proposals in the detail required by the Minister in accordance with the recognised procedure in such cases. Nevertheless, proposals of this kind, when submitted, should provide the Minister with an opportunity to demonstrate the Government's readiness to reject closures which were incompatible with regional transport plans.

(c) In order to reinforce the Government's concern on this point the newly created Regional Boards and Councils should be invited to consider proposals for major passenger closures before they were submitted to the Transport Users' Consultative Committees (TUCC's). It would be preferable that these Boards and Councils should be asked to advise on all proposals of this kind rather than only on those which had survived the procedure for preliminary consideration.

(d) The railway unions maintained that decisions on freight closures, on which they were not consulted, often prejudiced later decisions on the closure of associated passenger services, on which there was established machinery for consultation. On the other hand the experience gained, for example, by the miners' unions in relation to pit closures suggested that it was doubtful whether the railway unions would secure any real advantage from being associated with the process of determining individual closures; instead, they might well attract criticism from their own members.

(e) It was for consideration whether the Ministerial Sub-Committee on Rail and Road Transport should henceforward extend its efforts to ensure that social and economic considerations were taken into account in relation to closure proposals by rejecting any proposal if it could be shown that closure of the services in question might affect the studies on the co-ordination of transport which were being undertaken by Lord Hinton. Action of this kind, however, should not be allowed to encourage the misconception that all passenger closures could be halted until such time as Lord Hinton produced his report.

(f) Dissatisfaction was also being currently expressed with the Government's policy in relation to railway workshops and the use of railway land. The question of railway workshops was shortly to be considered by the Ministerial Committee on Economic Development; but meanwhile there would be advantage in inviting Regional Councils and Government Departments to consider whether any additional work could be provided for them, including the manufacture of equipment for export to developing countries as part of our programme of oversea aid.
Many local authorities could already acquire railway land for housing by using their powers of compulsory purchases and the Railways Board were usually prepared to sell land to local authorities for other purposes as well. In cases where the land was suitable for commercial development, however, the Board had often preferred to sell sites direct to a private developer. While there was a strong case for ensuring that surplus railway land should be used, wherever possible, for the benefit of the community, any new measures adopted for its disposal should be co-ordinated with the procedures in force in relation to the disposal of land by other nationalised industries and by Government Departments.

In relation to railway closures in Wales it would become increasingly important to provide alternative road transport services on an adequate scale and to improve the roads.

The Prime Minister, summing up the discussion, said that the Cabinet endorsed the Minister of Transport's recommendation that the Government should resist pressures for rescinding past consents to passenger closures and for halting all future passenger and freight closures. They also agreed that it would be advantageous if the Minister could take an early opportunity to reject a few proposals for major passenger closures in accordance with the procedure whereby such proposals were submitted to preliminary examination at an early stage. In addition, the appropriate Regional Boards and Councils should be invited to advise on all future proposals for passenger closures before the statutory procedure of TUC hearings was initiated; and the Ministerial Sub-Committee on Rail and Road Transport, in considering future passenger closures, should be prepared to refuse consent to those proposals which were likely to affect the studies on transport co-ordination which were being made by Lord Hinton. The other issues which had been raised during the Cabinet's discussion should be examined by the appropriate Ministerial Committees as rapidly as possible; and the Minister of Transport should seek to make a comprehensive Parliamentary statement at an early opportunity about the Government's policy on railway closures and the related questions of railway workshops and land.

The Cabinet—

(1) Approved C (65) 41, subject to the points made by the Prime Minister in his summing up of their discussion.

(2) Invited the First Secretary of State to arrange for the Ministerial Committee on Economic Development to consider the future of the railway workshops and the possibility of supplying them with additional work on the lines indicated in their discussion.

(3) Invited the First Secretary of State to arrange for the Ministerial Committee on Economic Development to consider the principles and procedures which should govern the disposal of surplus land owned by the
7. The Cabinet had before them a memorandum by the Home Secretary (C(65)31) about the Tribunals of Inquiry (Evidence) Act, 1921.

The Home Secretary said that in recent years public opinion had shown considerable concern about the operation of this Act on every occasion on which it had been necessary to establish a tribunal under the Act. It was maintained that the inquisitorial nature of the procedure necessarily adopted by most tribunals of this kind was unfair; that wholly innocent and respectable individuals who might be involved were liable to suffer damage both in respect of their personal reputations and as regards the expenditure which they incurred as a result of being legally represented before the tribunal; that the proceedings before the tribunal, including such matters as the leading of evidence by Counsel, the cross-examination of witnesses, etc., were open to criticism; and that the arrangements for dealing with witnesses who refused to answer questions were unsatisfactory. In these circumstances it was desirable that the operation of the Act should be made the subject of an independent and authoritative inquiry. It would be possible to propose the appointment of a Select Committee for this purpose. But such a body might, perhaps unconsciously, be influenced by political considerations in dealing with an issue which should be examined with judicial impartiality; and it would be preferable, therefore, to entrust the inquiry to a Royal Commission with a judicial chairman.

In discussion some doubt was expressed whether a Royal Commission would constitute the most appropriate means of conducting the proposed review. It must be presumed that Parliament would wish to retain some statutory means, other than recourse to the Courts, of inquiring into matters of urgent public importance; and, so long as this need persisted, it seemed virtually impossible to dispense with some kind of inquisitorial procedure. In its details—e.g., the powers of the tribunal, its methods of work, etc.—this procedure might be capable of improvement; but it would be desirable that the Government should themselves consider these issues before taking the major step of establishing a Royal Commission which might appear to call in question the basic principle of the 1921 Act.

In further discussion, it was suggested that the objections to a Select Committee as the means of conducting an independent inquiry were not necessarily decisive and that it might prove to be a more
appropriate instrument for this purpose than a Royal Commission under a judicial chairman. A decision on this point, however, should be deferred until it had been decided whether it would be desirable to promote any form of independent inquiry.

The Cabinet—

(1) Invited the Lord Chancellor, in consultation with the Lord President, the Home Secretary, the Secretary of State for Scotland, the Chancellor of the Duchy of Lancaster, the Minister without Portfolio, the Attorney-General and the Lord Advocate, to give further consideration to the means by which the operation of the Tribunals of Inquiry (Evidence) Act, 1921, might be improved and to the extent to which an independent inquiry for this purpose might be expected to be of value.

(2) Agreed to resume their consideration of C(65)31 in the light of the outcome of the action to be taken under Conclusion (1) above.

Farm Price Review
(Previous Reference: CC(65) 14th Conclusions, Minute 5)

8. The Minister of Agriculture recalled that the Cabinet had authorised the Ministers concerned to offer to the Farmers' Unions, for the purposes of the current Farm Price Review, increases in the value of price guarantees and production grants not exceeding £11 million in total. It had been agreed by the Ministerial Committee on the Review that this sum should include £8.8 million in respect of an increase of one penny a gallon in the guaranteed price of milk, which would imply an increase in the price of milk to the consumer of a half-penny a pint for four months during 1965–66. In negotiation the Unions had therefore been offered increases amounting in all to £10.4 million, including the increase of one penny a gallon in the price of milk. It had become clear, however, that there was no prospect of agreement on the basis of this offer. He had therefore explored informally with the Unions by how much it would need to be improved in order to secure their agreement. It now appeared that this could only be achieved at the cost of an addition of a further £5 million in respect of the other agricultural guarantees, together with an increase of twopence a gallon in the price of milk which, after certain other adjustments, would imply a total increase in price guarantees and production grants amounting to £22 million. Since this was clearly unacceptable, it would be necessary to impose a settlement on the basis of the offer already made to the Unions. This should be defensible to public opinion; but it would be liable to be strongly criticised by the farmers.

In discussion there was general agreement that in the circumstances there was no alternative to imposing a settlement on the basis recommended by the Minister of Agriculture.
The Prime Minister said that the Ministers concerned were to be congratulated on the manner in which they had conducted a series of difficult negotiations. Member of the Government would now need to defend the settlement in public as vigorously as possible.

The Cabinet—

(1) Agreed that the Farm Price Review should be determined on the basis of increases in the price guarantees and production grants amounting in all to £10.4 million, including an increase of one penny a gallon in the guaranteed price of milk.

(2) Invited the Minister of Agriculture, in consultation with the other Ministers concerned, to circulate to the Cabinet the draft of the White Paper to be issued as a result of the negotiations during the Review, together with a covering memorandum describing the basis on which the settlement might most convincingly be presented to public opinion.

Cabinet Office, S.W.1.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Tuesday, 16th March, 1965,
at 11 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P.,
First Secretary of State and Secretary
of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord
Chancellor
The Right Hon. Denis Healey, M.P.,
Secretary of State for Defence
The Right Hon. William Ross, M.P.,
Secretary of State for Scotland
The Right Hon. Anthony Greenwood,
M.P., Secretary of State for the Colonies
The Right Hon. Anthony Crosland,
M.P., Secretary of State for Education
and Science
The Right Hon. Douglas Houghton,
M.P., Chancellor of the Duchy of
Lancaster
The Right Hon. Frank Cousins, M.P.,
Minister of Technology
The Right Hon. Frederick Lee, M.P.,
Minister of Power

The Right Hon. Herbert Bowden, M.P.,
Lord President of the Council
The Right Hon. James Callaghan, M.P.,
Chancellor of the Exchequer
The Right Hon. Arthur Bottomley,
M.P., Secretary of State for Common
wealth Relations
The Right Hon. James Griffiths, M.P.,
Secretary of State for Wales
The Right Hon. The Earl of
Lonsford, Lord Privy Seal
The Right Hon. Richard Crossman,
M.P., Minister of Housing and Local
Government
The Right Hon. R. J. Gunter, M.P.,
Minister of Labour
The Right Hon. Fred Peart, M.P.,
Minister of Agriculture, Fisheries and
Food
The Right Hon. Tom Fraser, M.P.,
Minister of Transport
The Right Hon. Barbara Castle, M.P.,
Minister of Overseas Development

The following were also present:
The Right Hon. Kenneth Robinson,
M.P., Minister of Health
The Right Hon. Edward Short, M.P.,
Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Mr. R. T. Armstrong
SUBJECT
PRICES AND INCOMES POLICY—Doctors' Pay: Situation in General Practice
The Cabinet considered a memorandum by the Minister of Health (C (65) 43), to which was appended the draft of a letter to be sent to the Chairman of the General Medical Services Committee (GMSC) on the medical profession’s proposals for a “Family Doctors’ Charter”.

The Minister of Health said that on 24th March a conference of doctors’ representatives would decide whether or not the undated resignations of general practitioners from the National Health Service, which had been collected by the British Medical Guild as a result of the profession’s strong reaction to the recent report by the Review Body on Doctors’ and Dentists’ Remuneration, should be sent in on 1st April to take effect on 1st July. The GMSC had also submitted proposals for a new “Family Doctors’ Charter”; and the decision of the meeting on 24th March would turn in large part on the terms of the Government’s reply to these proposals. The draft appended to C (65) 43 was therefore designed to go some way to meet the profession by indicating the Minister’s willingness to enter into negotiations about a new type of contract of service and new methods of remuneration. On the separate question of the quantum of remuneration, however, the profession wished to negotiate in future direct with the Government, whereas the Government should maintain their view that this issue should, as hitherto, be referred to the Review Body for advice. Since there seemed no prospect of immediate argument with the profession on the point, it should explicitly be set on one side in the letter; and there would then be reasonable grounds for hoping that the rest of the letter would be sufficiently positive in tone to avoid the implementation of the threat of mass resignations.

The Chancellor of the Exchequer said that it was important that the letter, which was likely to be made public, should be regarded not merely as a tactic of negotiation but primarily as a means of drawing the attention of public opinion to the strength of the Government’s case in this matter. For this purpose it should describe the background against which the present situation must be considered, particularly the fact that the existing system of remuneration had stood for nearly 17 years; and it should emphasise that it was not reasonable for the profession to seek to require the Government to give an answer of substance within a few days of receiving proposals for a fundamental alteration of its provisions. The letter should also stipulate that, before there could be any question of discussing with the profession their proposals for a new type of contract of service and a new system of remuneration it would be necessary to define clearly their concept of their obligations and responsibilities under the National Health Service.

In discussion it was agreed that, while it would be desirable to deploy these arguments at an appropriate point in public discussion of the doctors’ proposals, it should be left to the discretion of the Minister of Health to decide how far he should press them in the letter to be sent to the GMSC. It would be more important that the
letter should establish the principle that there was a clear link between cash remuneration and other conditions of service and that modifications in e.g., doctors' hours of work would therefore have to be taken into account in the Review Body's future assessment of increases in remuneration.

In detailed discussion of the draft letter annexed to C (65) 43 the following main points were made:

(a) The first sentence of the first paragraph should be expanded to make it clear that the unconditional addition of £5\(\frac{1}{2}\) million to the pool of remuneration for 1965-66, which had already been conceded by the Government, implied that doctors would be receiving a considerable increase in net income from 1st April next.

(b) The second sentence of the first paragraph might be amended in order to emphasise that the profession were making very far-reaching proposals for substituting a completely new contract of service and system of remuneration for that which they had accepted in 1948 and again, in the light of the Royal Commission on Doctors' and Dentists' Remuneration, in 1960; and that the Government could hardly be expected to enter into commitments upon these proposals when they had only received them in the last few days and had had no opportunity to examine them in detail.

(c) The fourth paragraph of the draft should be expanded to remind the profession that they had supported the appointment of the Review Body.

(d) There was some danger that the last two sentences of the fourth paragraph of the draft might be interpreted as suggesting that an alteration in the system of remuneration would automatically result in an increase in the amount. These sentences, however, could be allowed to stand if the fifth paragraph were amended to make it clear that the Minister was prepared to negotiate on other matters covered by the proposed "Charter", provided that it was understood that he would not be ready to agree to new levels of remuneration otherwise than on the recommendation of the Review Body.

(e) In the penultimate paragraph the words "fixing levels of remuneration" should be substituted for the words "pricing the contract".

(f) The first sentence of the last paragraph might be regarded as implying that, if discussions on the new type of contract of service and the new system of remuneration could be concluded in a shorter time than at present appeared possible, the revised arrangements could be brought into effect before 1st April, 1966. The sentence should therefore be redrafted to make it clear that those arrangements would not be implemented before the end of the period for which the Review Body's recommendations in 1963 had been intended to last.

The Prime Minister, summing up the discussion, said that, if the Minister of Health's fears were realised, the letter, as amended, might well not suffice to prevent the resignation of a large number of doctors from the National Health Service. In that event the Government would face the prospect of a temporary disruption of

SECRET
the Service and, possibly, a protracted dispute with the medical profession. Nevertheless, the Cabinet agreed that, as amended in discussion, the letter annexed to C (65) 43 constituted a justifiable and defensible position for the Government to adopt in as much as it showed that they were ready to be conciliatory but were not prepared to yield to pressure. The Minister should take the opportunity of the debate in the House of Commons on the following day to present the Government's case in greater detail.

The Cabinet—

Authorised the Minister of Health to send to the Chairman of the General Medical Services Committee a letter in the terms of the draft annexed to C (65) 43, amended to take account of the points made in their discussion.

Cabinet Office, S.W.1,
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 18th March, 1965, at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science (Items 1–3)
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P., Minister of Transport
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. THE EARL OF LONFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. CHARLES PANNELL, M.P., Minister of Public Building and Works (Item 3)
The Right Hon. SIR ELWYN JONES, Q.C., M.P., Attorney-General (Items 3–4)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
SIR BURKE TREND
Mr. P. ROGERS
Mr. A. A. JARRATT
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Foreign Secretary said that the Soviet Government had now replied to the suggestion, which we had conveyed to them on 20th February, that the Governments of the United Kingdom and the Soviet Union, as co-Chairmen of the 1954 Geneva Conference, should invite the Governments concerned to indicate their views about a possible basis for a settlement of the conflict in Vietnam. The Soviet response to this proposal had been little more than a denunciation of the United States Government and had therefore been unacceptable. He had accordingly discussed the situation with the Soviet Foreign Minister, Mr. Gromyko, on the basis that it was not the function of the co-Chairmen to provoke controversy of this kind; but Mr. Gromyko had given no indication that his Government were prepared to adopt a more conciliatory attitude. Nevertheless, the time which the Soviet Government had taken to reply to our proposal suggested that they might have been disposed to entertain it if they had not been subjected to strong pressure by the Governments of Communist China and North Vietnam to refuse to compromise on the issues involved. In these circumstances he proposed to explore further with the United States Government, during his forthcoming visit to Washington, how we might still maintain our original initiative. It might be helpful, for example, if the United States authorities would make some further public statement of their policy towards Vietnam, including some indication that they were prepared to contemplate inter-Governmental discussions for the purpose of ending the conflict.

In discussion it was agreed that there was no simple or obvious solution for a deadlock in which each party was seeking to insist that the other party must desist from aggression before there could be any question of negotiation. Nevertheless, we should seek to persuade the United States Government to recognise the potential opportunities implicit in a situation in which the Soviet Government must be becoming increasingly resentful of Chinese pressure; and we should therefore endeavour to ascertain how far they might be prepared, despite apparent Soviet intransigence, to acquiesce in our maintaining our initiative to promote a negotiated settlement of the conflict.

The Foreign Secretary informed the Cabinet that, as a result of their recent dispute with the Government of the United Arab Republic (UAR), the Federal German Republic had now announced their intention of establishing diplomatic relations with the Government of Israel. The reaction of the other Arab Governments had varied. Some were threatening that when German/Israel diplomatic relations had been established they would not only break off diplomatic relations with the Federal Government but also recognise the Government of East Germany, while others had confined themselves, for the moment, to forecasting a rupture of
relations with the Federal Government. These developments were unfortunate in so far as they were liable to intensify antagonism between the West and the Arab world. On balance, the Government of Israel had probably improved their position, while the UAR Government might suffer in the longer term as a result of having coerced other Arab Governments to contemplate more forcible action than many of them might have wished. In these circumstances, while we should not abandon our attempt to promote more cordial relations with the UAR Government, we must clearly moderate our initiative; and it would now be undesirable to pursue the earlier suggestion that a United Kingdom Minister should pay a visit to Cairo at Easter. It would be tactically unwise to appear to invoke the breach between the Federal Government and the UAR Government as a reason for deferring this visit; but the recent intensification of UAR aggression in Aden and the South Arabian Federation would justify us in informing the UAR Government that it must be postponed for the time being.

In discussion there was general agreement with these proposals. It was also suggested that the Cabinet should take an early opportunity to discuss our foreign policy as a whole.

3. The Cabinet considered a memorandum by the Chancellor of the Exchequer and the Minister of Power (C (65) 42), together with a memorandum by the Attorney-General (C (65) 39), on the nationalisation of the iron and steel industry.

The Chancellor of the Exchequer said that the proposals contained in C (65) 42 were designed to keep the Bill for nationalising the iron and steel industry relatively short and simple, to prevent it from being a hybrid measure and to facilitate the effective and speedy transfer of the main part of the industry into public ownership. A large number of small companies would remain outside the public sector; but it would be open to them to seek to be taken over by the proposed National Steel Corporation and the Corporation would have powers to acquire such companies if it so wished. The Bill did not provide for taking into public ownership the British Iron and Steel Federation (BISF) and its associated trading companies, since this would almost certainly make it a hybrid measure; nor was sufficient information about the activities and organisation of the BISF available to enable statutory provisions for this purpose to be framed with confidence. Even so, the degree of nationalisation provided by the Bill would represent a major step towards bringing the iron and steel industry into public control, which should not be delayed merely because it would not be feasible to include the BISF in the Bill. It should be possible to achieve the transfer of the industry’s central trading services to the National Steel Corporation after nationalisation by means of negotiation with the Federation; but the Government should make it clear, during the debates on the Bill, that, if a satisfactory settlement in this matter were not reached, they would introduce further legislation for the purpose. The question
of the compensation to be paid in respect of the companies to be nationalised would need separate examination.

The Minister of Power said that the Bill would nationalise the 13 major groups (including Richard Thomas and Baldwins) which owned all 22 integrated steel works in the United Kingdom and accounted for over 90 per cent of the production of iron ore, pig iron, crude carbon steel, sheet and tin plate. These activities would be brought under the control of a National Steel Corporation, which would be required to submit, within 12 months of Vesting Day, proposals for the long-term organisation of the public sector. This should constitute a more practicable course of action than any attempt to determine in the Bill a form of organisation which would render denationalisation impossible. The main safeguard against subsequent denationalisation lay in the fact that it would be very difficult to sell off once again the very large units which constituted the main part of the steel industry. The National Steel Corporation would have wide powers to diversify its activities on the basis of the diversified interests of the main companies to be nationalised. The Iron and Steel Board would be abolished; and the necessary rationalisation of the remaining private sector should be brought about by competition among the private firms and between those firms and the public sector. But the Bill would make it possible, in addition, to veto substantial development projects by private companies in the basic fields of iron and steel making. It had been verified with the authorities of the House of Commons that, subject to a final ruling by the Speaker, a Bill on this basis would not be a hybrid measure.

The Attorney-General said that there was no satisfactory means of making provision in the Bill for taking part of the activities of the BISF into public ownership or for restricting the ability of the Federation and its associated trading companies to hamper the operations of the nationalised sector. At the present stage the Government's knowledge of the organisation of the BISF was necessarily incomplete; and any attempt to transfer its activities to the National Steel Corporation might therefore be ineffective and even damaging to the public sector. Moreover, if the Bill included any provisions dealing either generally or specifically with the Federation, it would have to be dealt with in accordance with the Standing Orders relating to Private Bills; and the resultant Parliamentary procedure would provide considerable opportunity for obstruction and delay.

In discussion it was agreed that, while there would be certain disadvantages in excluding the BISF and its subsidiaries from the scope of the Bill, these did not, on balance, outweigh the desirability of nationalising at an early date the main part of the iron and steel industry on the lines proposed in C (65) 42. There was some risk that, through its links with its own trading subsidiaries, with the companies to be nationalised and with private industry generally, the Federation...
might attempt to frustrate or to delay the smooth transition of the iron and steel industry into public ownership. On the other hand it seemed unlikely that the activities of the trading companies, particularly the British Iron and Steel Corporation (Ore) Limited, which was responsible for importing all iron ore into the United Kingdom, could be so managed as to harm the nationalised companies, since there were contractual agreements between the Corporation, the companies to be nationalised and the oversea suppliers of iron ore which would have to be observed. Moreover, as a result of their close association with the Iron and Steel Board in the last 10 years the Government would be less dependent upon the BISF for information about the industry in the early days of nationalisation than they had been after the passing of the 1949 Act. Since the Bill would empower the Minister to obtain information from the BISF and its trading companies about their organisation and activities, it might be possible, after nationalisation, to achieve a settlement between the National Steel Corporation and the Federation by negotiation. The BISF should be encouraged to adopt a responsible attitude in this regard; but the Government would have to make it clear that, in the absence of co-operation by the Federation, they intended to secure their objective by further legislation.

The Prime Minister, summing up the discussion, said that Cabinet endorsed, in principle, the proposals in C (65) 42 for nationalising the main part of the iron and steel industry. They also agreed that, while it would be inadvisable to attempt to bring the BISF and its trading companies within the scope of the proposed Bill, it would be essential to secure the transfer of the industry's central trading services to the National Steel Corporation as quickly as possible after nationalisation, either by negotiation or, if necessary, by further legislation. It would be desirable to provide public opinion with a full explanation of the Government's proposals; and this might best be arranged by means of a White Paper which might also discuss the compensation to be paid in respect of the companies to be nationalised. The White Paper should be issued in the fairly near future as a preliminary to legislation at a later point in the present Session. Meanwhile he would arrange for further consideration to be given to the question of the precise timing of the publication of the White Paper, particularly in relation to the date on which the terms of compensation should be announced.

The Cabinet—

(1) Approved in principle the proposals in C (65) 42 for nationalising the iron and steel industry.

(2) Invited the Minister of Power to circulate in due course the draft of a White Paper describing these proposals and explaining the reasons for the exclusion of the British Iron and Steel Federation and its trading companies from the projected legislation.

(3) Took note that the Prime Minister would discuss with the Chancellor of the Exchequer and the Minister of Power the timing of the publication of the White Paper.
4. The Cabinet considered memoranda by the Secretary of State for Scotland and the Minister of Housing and Local Government (C (65) 45 and 46 respectively), covering the draft of a White Paper about the Rent Bill.

The Minister of Housing and Local Government said that the purpose of the White Paper was to summarise the main considerations which the Government had had in mind in preparing the Rent Bill. This Bill had two objects—first, to restore the security of tenure undermined by the Rent Act of 1957; and second, to lay the foundation for a better relationship between the landlord and the tenant of rented property by introducing a new and flexible system of rent regulation. The provisions of the Bill in relation to agricultural tied cottages had given rise to considerable difficulty; but a solution had now been devised which should be acceptable to those concerned.

In discussion it was suggested that, since the Bill would not, in itself, increase the number of houses available for rent (and, by improving security of tenure, might actually make them more scarce) it might be advisable to reconsider the Government’s housing policy on the provision of houses for owner-occupation and to concentrate on building houses for renting. On the other hand, the present difficulties in relation to rented accommodation, acute though they were, were confined primarily to a few large conurbations; and the problem was therefore mainly one of regional priorities in the provision of different types of housing until such time as the shortages could progressively be overcome.

In further discussion the following main points were made:

(a) The severity of the penalties provided by the Bill for the offence of harassing a tenant might result in some difficulty in securing convictions as often as would be justified. On the other hand the degree of public sympathy with tenants in such cases should suffice to overcome any inhibitions in this respect.

(b) It might prove difficult to deal effectively with landlords who harassed their tenants by acts of omission rather than commission, e.g., by neglecting repairs. In such circumstances, however, it would be open to the tenants to apply for a reduction of rent. Moreover an action might still be brought against the landlord in so far as his neglect could be shown to be motivated by an intention to harass.

(c) The provisions of the Bill relating to the rental of furnished accommodation had been drafted with regard to the interests of members of the Public Services who let their houses when they were posted abroad.

(d) Consideration should be given to the possibility of amending the Bill in Committee in order to provide that landlords who had been convicted of harassing their tenants might be debarred from letting accommodation in future.
Paragraph 26 of the draft White Paper should be amended in order to make clear the distinction between, on the one hand, the further legislation which might result from the Government's examination of the more general aspects of the law of landlord and tenant and, on the other hand, the comprehensive review of the existing housing law in England and Wales by the Law Commission, which would be largely a measure of codification and would not raise issues of policy.

Consideration was being given to the possibility of publishing a layman's guide to the provisions of the Bill and an abbreviated version of the Milner Holland Report on Housing in Greater London.

Certain other amendments to the draft White Paper were also agreed.

The Cabinet—

(1) Approved the draft of the White Paper attached to C (65) 45 subject to the amendments agreed in their discussion.

(2) Invited the Minister of Housing and Local Government to consider the possibility of introducing an amendment to the Bill in Committee in order to enable the Court to debar landlords convicted of harassing their tenants from letting accommodation in future.

Cabinet Office, S.W.1.
18th March, 1965.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 25th March, 1965, at 11.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury
Mr. Richard Marsh, M.P., Joint Parliamentary Secretary, Ministry of Labour (Item 3)

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Mr. A. A. Jabbatt

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

*The Lord Privy Seal* said that the Government might be defeated on the Second Reading of the War Damage Bill in the House of Lords that afternoon. Alternatively, and perhaps more probably, a substantial amendment might be carried against the Government during the Committee stage.

*The Prime Minister* said that, if the Bill were rejected on Second Reading, it would be desirable to issue a public statement forthwith, indicating that the Government intended to invoke the Parliament Act on this occasion in order to secure the passage of the Bill and that they would meanwhile act in accordance with the views of the House of Commons, *i.e.*, that no payments from public funds would be made contrary to the intentions of the Bill. It was for consideration whether the statement should also make it clear that, if the House of Lords continued to obstruct Government business, the Government would seek a mandate at the next General Election to curtail the powers of the Upper House in this respect. If, however, the Bill received a Second Reading but the Government were defeated on a substantial amendment during the Committee stage, a statement on these lines would not necessarily be appropriate at that juncture; and further consideration would have to be given to the issues which would then arise.

The Cabinet—

Took note, with approval, of the Prime Minister's statement.

2. *The Foreign Secretary* informed the Cabinet that, during the visit to the United States from which he had just returned, he had conducted useful discussions with President Johnson and other members of the United States Administration and also with the Secretary-General of the United Nations, U Thant.

He had established that there was broad agreement between the United States and the United Kingdom on most of the major international issues of the day. As regards the particularly difficult problem of Vietnam, the United States spokesmen had made it clear that the measures which they had recently taken to attack targets in the northern half of the country were directed solely to arresting the progressive infiltration of South Vietnam by the Viet Cong forces and that the statement by General Maxwell-Taylor, the United States representative in Saigon, that there was no limit to the potential increase of the war, should not be interpreted as inconsistent with this policy. They regarded themselves as having no alternative to this course of action. They could not contemplate the evacuation of Vietnam, except at the unacceptable price of allowing Communist influence to extend progressively throughout South-East Asia. They regarded it as equally impracticable that they should remain in South
Vietnam but refrain from any counter-action to arrest the infiltration of the Viet Cong forces. In these circumstances the only course open to them was to strike at those forces in the area from which they came. They appeared fully to appreciate the risks inherent in this course, particularly the length of time which might elapse before the Government of North Vietnam were finally deterred from further aggression and the danger that, in this interval, the Government of South Vietnam might itself collapse. They regarded these risks, however, as outweighed by the imperative need to check the North Vietnamese advance. Nevertheless, they did not intend to attack North Vietnam with ground forces; and they had undertaken to inform us in advance if they contemplated any extension of their present policy of air attack.

So far there was no indication that the mounting United States pressure was causing the Government of North Vietnam to be more ready to contemplate negotiation as a means of ending the conflict. The United States Government were equally unwilling to contemplate negotiation unless infiltration by Viet Cong forces ceased and satisfactory evidence to this effect could be produced. Nevertheless, they had been not unsympathetic to our suggestion that, in the absence of any prospect that we could take some action jointly with the Government of the Soviet Union as co-Chairmen of the 1954 Geneva Conference, we should seek to explore the possibilities of accommodation by means of an initiative of our own. For this purpose they would provide us with a statement of their views about the situation in Vietnam in general; and they would thereafter be prepared to discuss with us a formula by which, in our capacity as one of the co-Chairmen of the 1954 Conference, we might subsequently seek to ascertain from the Powers concerned the basis on which they considered that negotiations for a peaceful settlement of the dispute might be undertaken. If we could agree such a formula with the United States Administration, this would be helpful; but they understood that we reserved our right to take this initiative, after consultation with them, in whatever form we judged most appropriate.

As regards the recent occasion on which United States troops had used gas against the Viet Cong forces, he had left the United States Administration in no doubt of the strength of public feeling on this point in the United Kingdom and the extent to which, in our view, the episode had damaged the international reputation of the United States. In fact, however, the United States Government themselves had not been consulted by the local Commander before the weapons in question were brought into use; and the gas in question had been only the non-lethal type, which had been used by many countries, including ourselves, for the control of civil disturbances.

In discussion there was general agreement that there were now some grounds for cautious hope that means might gradually be found for achieving a peaceful solution to the problem of Vietnam. It was particularly satisfactory that we had established, in relation to the United States, conditions in which we might be able to take an initiative for this purpose; and we should now pursue this possibility
as vigorously as possible. In doing so, however, we should have regard to the interests of other countries in Asia, particularly India, which might be threatened if the United States military presence were prematurely withdrawn from the area.

The Cabinet—

Took note, with approval, of the statement by the Foreign Secretary.

3. The Cabinet considered a note by the First Secretary of State (C (65) 47) to which was attached a draft memorandum on prices and incomes policy.

The First Secretary of State said that the draft memorandum defined the criteria which should govern the behaviour of prices and incomes and indicated the average annual rate of increase in money incomes, to be known as the “norm”, which would be consistent with the aims of the Joint Statement of Intent and should be exceeded only in exceptional circumstances. While it begged some questions and ignored others, it represented a further important step forward in the development of the Government’s prices and incomes policy in that it contained an agreed incomes “norm” of 3–3½ per cent, which reflected current economic realities, but at the same time established criteria which would enable cases for exceptional treatment to be identified and would therefore help the smaller and less powerful groups of organised labour in promoting their claims. The memorandum was intended to provide the starting point for the work of the National Board for Prices and Incomes and would serve as a foundation on which a body of case law could be built up.

The memorandum had now been approved by the governing bodies of the Trades Union Congress and the National Association of British Manufacturers; and it would be submitted for approval to the British Employers’ Confederation and the Association of British Chambers of Commerce on 7th April. If the Cabinet endorsed his proposals, he proposed to publish the memorandum as a White Paper on 8th April. The Chairman of the National Board had now been appointed; and, if the remaining members of the Board had been selected in time, their names, together with the Royal Warrant establishing the Board, could be published simultaneously with the White Paper.

In discussion the following main points were made:

(a) It would be desirable that, before the memorandum was published as a White Paper, it should be circulated to the main organisations in the public sector, including the nationalised industries and local authorities, which had not been consulted in the course of its preparation. Ministers should also be free to offer to discuss the memorandum with these organisations after the White Paper had been published.
The Board would not interfere with, or replace, established machinery for arbitration on wage and salary claims. It was hoped, however, that the memorandum would serve as a guide to those concerned with the fixing of wages and salaries; and the Government would reserve the right to refer an arbitration settlement for further examination and comment by the National Board if they felt that it was of particular importance in relation to incomes policy generally.

Among the circumstances which might justify exceptional pay increases were those in which existing wage and salary levels were generally recognised to be too low to maintain a reasonable standard of living or the pay of the workers concerned was known to have fallen seriously out of line with the level of remuneration for similar work elsewhere. These criteria should suffice in principle to comprise the claims of such groups as nurses and teachers who had recently fared less well than organised labour in general. They might also allow the Board to take some account of the differences in remuneration between skilled craftsmen and semi-skilled workers employed on mass production processes; but it was unlikely to be possible to deal satisfactorily with this problem until the concept of an incomes policy had been more widely accepted.

It was not intended to refer to the Board wage and salary settlements in the public service which had been dealt with by the established and accepted machinery for negotiation and arbitration. In any event the Board should be fully occupied in dealing with cases arising elsewhere, particularly in the private sector, where wage settlements were based on considerably less critical examination.

While the memorandum represented another important advance in the development of a policy for prices and incomes, much had still to be achieved before that policy could be regarded as operating effectively. In particular, difficulties might arise in the early stages as a result of an inconsistency between the Government's declared objectives and the rate at which earnings were actually increasing. Moreover, there appeared to be some conflict of view among the trade unions themselves about the specific nature of the objectives and criteria to which they had formally subscribed. On the other hand the detailed negotiations which had preceded each step in the development of the policy should have left no room for misunderstanding between the parties concerned. An effective incomes policy would inevitably take time to come into full operation; and much would depend on the selection of the early references to the Board and on the Board's determination of those references. The selection of cases would lie entirely with the Government and, in the first instance, would be concerned primarily with price increases; these would be followed by references relating to movements in wages and salaries. It was hoped that by these means the Board would gradually build up a body of case-law which would not only be relevant to the determination of further specific references but also create a general climate of opinion in relation to movements in prices and wages generally.

The Prime Minister, summing up the discussion, said that the Cabinet congratulated the First Secretary of State on the latest
development in the formulation of incomes policy, although they recognised that there were still many difficulties ahead which would need careful handling both by the Government and by the National Board for Prices and Incomes.

The Cabinet—

(1) Approved the draft memorandum on prices and incomes policy annexed to C (65) 47.

(2) Invited the First Secretary of State, subject to final agreement by all the parties concerned, to present to Parliament a White Paper on the lines of the draft memorandum.

Cabinet Office, S.W.1,

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Printed for the Cabinet. March 1965

CC (65) 19th Conclusions

Copy No. 36

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 30th March, 1965, at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRED PEARCE, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSLAND, M.P., Minister of Housing and Local Government
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

Also present:
The Right Hon. EDWARD SHOFT, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. D. S. LASKEY

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1. The Prime Minister said that in recent discussions with members of the Trades Union Congress (TUC) it had emerged that the TUC felt that they were not always informed of developments in Government policy, in which they were directly concerned, except on such issues as labour relations and incomes policy. It was desirable, therefore, that Ministers should make arrangements to ensure that the TUC would be kept in touch, as appropriate, with the more important activities of their Departments.

The Cabinet—
Took note of the Prime Minister’s statement.

2. The Cabinet had before them memoranda by the Foreign Secretary dealing respectively with the Atlantic Nuclear Force (C(65)48), the Middle East (C(65)49), Europe (C(65)51) and possible links between the European Free Trade Association and the European Economic Community (C(65)52).

The Prime Minister suggested that the Cabinet should regard these memoranda as the basis for a wide-ranging discussion over the whole field of our foreign policy.

Discussion took place under the following heads:

Vietnam

The Foreign Secretary said that the only objective of the present United States military operations was to arrest the infiltration of men and arms from North Vietnam to the South. The United States Government were not seeking to overthrow the Government of North Vietnam or to enable the Government of South Vietnam to occupy Northern territory. In his recent discussions with the President of the United States in Washington he had obtained an assurance that the United States Government would inform us in advance if at any time they judged it to be necessary to intensify their present military measures (e.g., by bombing Hanoi) in order to achieve their objective; and this would enable us to consider the policy which we should adopt in that event and to make such representations as we saw fit to the United States Government before they took the action which they contemplated. Meanwhile we must maintain our efforts to promote an agreed settlement of the conflict in Vietnam. For this purpose we were taking all the measures which were open to us; and the projected mission of Mr. Patrick Gordon Walker to South-East Asia might throw further light on the means by which a settlement might be achieved. As yet, however, there was no indication that the Communist Powers concerned were disposed to modify their view that there was no issue for negotiation and that the dispute could only be solved by the complete withdrawal of United States forces from South Vietnam. In present circumstances this would not accord with our own interests or the interests of other friendly countries; and it was also clear that our attempts to find
a basis for negotiation would not be furthered if we dissociated ourselves from the measures which were currently being taken by the United States Government.

In discussion it was suggested that in the long term it would be necessary to contemplate, as part of any peaceful settlement in the area, the unification of North and South Vietnam and that any action which we might take, or endorse, in the interim should not be inconsistent with this ultimate objective. On the other hand there appeared to be no early prospect of a permanent settlement; and, on the analogy of Germany and Korea, the division of Vietnam might have to continue for a long time. It would be premature at this stage to try to foresee the solution which might ultimately have to be adopted; but in the meantime we must bear in mind the concern of a number of Commonwealth Governments in South-East Asia that the United States Government should not, by withdrawing from the area, leave them exposed to Communist subversion or attack.

The Prime Minister, summing up this part of the discussion, said that the discussions which the Foreign Secretary had recently undertaken in Washington had been helpful in influencing the policy of the United States Government. We must continue our efforts to seek a possible basis for a peaceful settlement of the conflict in Vietnam and, although the prospects in this respect might not appear very hopeful, they were slightly more encouraging than they had been only a few weeks before. But, if there were any fresh indication of a further intensification of the fighting, the Cabinet would have to give further consideration to the policy which we should then adopt.

Atlantic Nuclear Force

Discussion then turned to the memorandum by the Foreign Secretary (C (65) 48) on the Atlantic Nuclear Force (ANF).

It was suggested that one of the advantages which we had seen in proposing the ANF was the probability that it would be less objectionable to the Soviet Government than the earlier proposal for a Multilateral Force (MLF). It now appeared, however, that Soviet opinion was as opposed to the ANF as to the MLF. On the other hand the Soviet authorities could be expected to appreciate that, whereas the Federal Government of Germany, although forbidden by Treaty to manufacture nuclear weapons, were under no such prohibition as regards their acquisition, it was an essential feature of the ANF project that the nuclear Powers would undertake not to disseminate nuclear weapons and the non-nuclear Powers, including the Federal German Government, would undertake not to acquire them. From this point of view the ANF project should be not without certain attractions for the Soviet Government; and, although they would naturally oppose any proposal to strengthen the North Atlantic Treaty Organisation, their hostility to the ANF might be intended largely as a bargaining counter.

The retention of a United Kingdom nuclear capability East of Suez was envisaged as an interim measure, pending a longer term solution of the problem of providing some form of assurance to the non-nuclear Powers, such as India, against a Chinese nuclear threat.
Without such an assurance the Indian Government might well embark on the manufacture of nuclear weapons; and in that event other countries would follow their example. Our objective should therefore be to arrest this process of proliferation by seeking to promote some form of collective nuclear security in Asia, to which we might contribute our own nuclear capability East of Suez.

**The Middle East**

The Cabinet next considered the memorandum by the Foreign Secretary on the Middle East (C (65) 49).

The Foreign Secretary said that most of the Governments in the Middle East were genuinely trying to modernise their economies and to improve the standard of living of their peoples. The bitter hostilities which divided them, whether between the Arab States and Israel or between one Arab State and other, were not based on any real conflict of interests. The United Kingdom, however, no longer had the power, as in the 19th century, to impose solutions; and, indeed, there were no clear-cut solutions which could resolve the problems of the area. In these circumstances our policy must be to try to reduce the tension in the area in the hope that in the longer term the interests which the Middle East countries had in common would prevail over their traditional hostilities. It was in this spirit that we were seeking to maintain a balance in the supply of arms to Israel and to her Arab neighbours and to dissuade Syria and the Lebanon from action in relation to the Jordan waters which would provoke Israel.

In discussion it was agreed that it would be necessary to give further consideration to our policies in the Middle East in the light of the outcome of the current review of our defence commitments overseas. In particular, we should need to examine the value of the Central Treaty Organisation (CENTO) since, although our overflying rights in Iran were currently of vital importance for the reinforcement of our forces in the Far East, the political value of the organisation in the longer term was less certain. We should also need similarly to review our military commitments in relation to Kuwait and the Persian Gulf in terms of the importance of maintaining stability in the area and ensuring the continued supply of oil from the Middle East. It seemed clear that, if we were to achieve the necessary economies in defence expenditure, our commitments in the Middle East would have to be reduced; but it was essential that this should be achieved by planned and deliberate judgment rather than by changes of policy adopted at short notice and without due deliberation.

The Cabinet—

Agreed to resume their discussion of foreign policy at a subsequent meeting.

*Cabinet Office, S.W.1.*

30th March, 1965.
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Printed for the Cabinet. April 1965

CC (65) Copy No. 36

20th Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 1st April, 1965, at 10 a.m.

Present:
The Right Hon. Harold Wilson, M.P. Prime Minister
The Right Hon. George Brown, M.P. First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Michael Stewart, M.P. Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, Q.C., M.P. Secretary of State for the Home Department
The Right Hon. William Ross, M.P. Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P. Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P. Minister of Housing and Local Government
The Right Hon. Frank Cousins, M.P. Minister of Technology
The Right Hon. Frederick Lee, M.P. Minister of Power
The Right Hon. Herbert Bowden, M.P. Lord President of the Council
The Right Hon. James Callaghan, M.P. Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P. Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P. Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P. Secretary of State for Wales
The Right Hon. Douglas Jay, M.P. President of the Board of Trade
The Right Hon. Anthony Crosland, M.P. Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P. Chancellor of the Duchy of Lancaster
The Right Hon. Fred Peart, M.P. Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P. Minister of Transport
The Right Hon. Barbara Castle, M.P. Minister of Overseas Development

The following were also present:
The Right Hon. Roy Jenkins, M.P. Minister of Aviation (Item 4)
Mr. Richard Marsh, M.P. Joint Parliamentary Secretary, Ministry of Labour (Items 3 and 4)
The Right Hon. Edward Short, M.P. Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Mr. D. S. Laskey

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Foreign Secretary said that he had conveyed to the Ambassadors of the United States and Vietnam the sympathy of Her Majesty's Government for the injuries suffered by their nationals as the result of the recent bomb outrage in Saigon. He had also expressed to the United States Ambassador the hope that the United States Government would not feel obliged to take retaliatory action; and it was satisfactory that the subsequent public statement by President Johnson had been restrained in tone. The United States Government had also taken this opportunity to confirm their undertaking to give us advance warning of any intensification of the present scale of their air attacks on North Vietnam.

There were some slight indications that the Government of North Vietnam might be less unwilling than hitherto to attend a conference to discuss possible means of ending the conflict in Vietnam; but these indications were too uncertain to be of any value.

The Prime Minister said that these developments might make it desirable that Mr. Patrick Gordon Walker, in the course of his mission to South-East Asia, should visit Hanoi at a rather earlier stage than was at present contemplated.

The Cabinet—

(1) Took note of the Foreign Secretary's statement.

(2) Invited the Foreign Secretary to consider whether arrangements should be made for Mr. Patrick Gordon Walker to visit Hanoi at a rather earlier stage in his mission to South-East Asia than was at present contemplated.

3. The Cabinet considered a memorandum by the First Secretary of State (C (65) 53) on the Outline Plan, to which was attached the draft of a White Paper on the Plan.

The First Secretary of State said that it had originally been the Government's intention to publish in March an Outline Plan which would provide background to the Budget and would constitute an interim report on work on the main Plan, which would not be complete until the summer. He had come to the conclusion, however, that this would be undesirable. Any White Paper published while the main Plan was still in preparation would inevitably consist of little more than a repetition of policy decisions already announced, together with an outline of problems not yet fully resolved. Moreover, the deficit on the balance of payments seemed likely to persist until further remedial measures had been
taken; and any figures published at this juncture might therefore have embarrassing repercussions on international confidence in sterling. Finally, the need to rectify the balance of payments and to intensify investment in order to achieve the necessary level of economic growth might require a degree of restraint on the expansion of personal consumption and the social services which, while most undesirable, would be unavoidable unless defence expenditure could be reduced, in real terms, to the level of the 1964–65 Estimates. But since this critical question could not be determined until the current review of our oversea commitments was completed, it would be desirable to explain publicly that it would be unsatisfactory to publish an Outline Plan while the most important economic decisions had still to be made; and this statement could be elaborated as appropriate, in a subsequent speech in the House of Commons, which might most conveniently be made during the debate on the forthcoming Budget.

Meanwhile, the initial stages of the work on the main Plan were nearly finished; and the further stages should be completed during the next four months. It should therefore be possible to publish the Plan at the end of the summer or in the early autumn, provided that decisions on the future level of defence expenditure were taken in good time.

In discussion it was suggested that, despite the difficulties indicated in C (65) 53, there would nevertheless be advantage in publishing an Outline Plan on the lines of the draft White Paper, both in order to explain to public opinion the Government's approach to the problem and to emphasise the need for the Government to adopt a positive role in the direction of the economy. On balance, however, it was agreed that these considerations could best be satisfied by an oral exposition of the Government's policies on some suitable Parliamentary occasion and that the proposed White Paper on the Plan should not be published until the Plan itself had been completed.

In further discussion the following main points were made:

(a) The statistical table indicating the broad dimensions of the Plan might be regarded as making insufficient allowance in its estimate of the growth of the Gross National Product (GNP) for the improvement in productivity which might reasonably be expected to result from the measures being taken by the Government to improve industrial efficiency. On the other hand the achievement of a rate of growth of 25 per cent in the GNP between 1964 and 1970 would itself require a considerable increase in productivity in the later years of this period; and it would, therefore, be imprudent to base any published Plan on a rate of growth in excess of this figure.

(b) Paragraph 27 of the draft White Paper suggested that, provided that defence expenditure was restrained, it might be possible to allow expenditure on public services other than defence to rise by more than the assumed rates of 4½ per cent a year. But this should not be interpreted as implying that it would in fact be
feasible to contemplate more generous provision for these services than was indicated in the statistical table, which could be argued to be already more optimistic than was justified.

The Cabinet—
Approved C (65) 53.

4. The Cabinet considered a memorandum by the Secretary of State for Defence (C (65) 57) about the TSR-2 and the F-111A (TFX) aircraft.

The Prime Minister recalled that at their meeting on 1st February the Cabinet had decided to defer a decision on the TSR-2 pending the receipt of further information about the comparative cost and capability of this aircraft and of the TFX. There had been no significant development since then as regards the capability of either aircraft. As regards cost, however, it had not proved possible to agree a fixed price for the TSR-2. The manufacturers had offered, instead, a target price in the sense that, if the eventual cost were lower than a prescribed sum, the profit would accrue to them, while, if it were higher, they would accept the loss up to a limit of £9 million but any further loss would have to be borne by the Government. On this basis a purchase of 110 TFX would yield, by comparison with the purchase of a similar number of TSR-2, a Budgetary saving of about £280 million; but it would involve a dollar outlay equivalent to about £500 million (including interest charges of £70 million). It would be optimistic, however, to suppose that the resources released by cancellation of the TSR-2 would yield additional exports to the value of £500 million; and it could be argued that it would be a false economy to save some £280 million of sterling expenditure at the cost of incurring a heavy additional burden on the balance of payments. If, however, it were decided to cancel the TSR-2, there would be advantage in announcing this decision at the same time as the Budget, since it would demonstrate our determination to secure genuine economies in defence expenditure.

If the TSR-2 could be considered in isolation, there would be a strong case for saying that it was too expensive and should be cancelled. Moreover, the industrial consequences of cancellation now appeared less formidable, since it had proved less difficult than had been expected to absorb the redundant labour in the aircraft industry which had resulted from the Government's earlier decisions to cancel the P-1154 and the HS-681. The situation would be more serious, however, if we decided not only to cancel the TSR-2, but also to adopt the TFX in its place, since we should then have to meet, in addition to the industrial problem of redundancy on a substantial scale, the political charge that we were allowing ourselves to become unduly dependent on the United States. The methods employed by the United States aircraft industry to gain markets abroad and the
pressure which they were exerting in order to frustrate sales of United Kingdom aircraft to United States airlines lent additional force to this charge.

Until the current review of our oversea commitments was completed, we could not say with certainty whether there would be a future requirement for an aircraft of the TSR-2 or TFX type; and it would therefore be difficult to sustain a decision to cancel the TSR-2 unless we could maintain that an alternative aircraft would be available if it were needed. It had therefore been suggested that we should establish an option to buy the TFX, without commitment to purchase more than a very limited number. The Cabinet would need to consider whether this was a realistic assumption or whether the outcome of the review of oversea commitments was likely to make a substantial purchase of TFX aircraft inescapable. In the latter event it might be preferable to maintain the TSR-2 programme for a further two or three months in spite of the financial and other disadvantages which this would involve.

The Secretary of State for Defence said that he had carefully considered whether we should need an aircraft of the type in question or whether the requirement could be met in other ways, e.g., by carrier-based Buccaneers or by Phantoms. This question could not be finally answered until the completion of the review of our oversea commitments; but it seemed probable that we should need at least some aircraft of this type. Other aircraft lacked both the range and the payload to fulfil either the strike or the reconnaissance roles for which the TSR-2 and the TFX were designed. Moreover, the range of the TSR-2 or TFX provided increased flexibility and economy of deployment. If we dispensed with aircraft of this type, we should be unable to fight limited wars in the 1970s in the Middle East and the Far East, unless we accepted complete dependence on the United States; and a decision involving so major a change in our existing defence role could clearly not be taken in advance of the review of commitments.

As regards the operational capability of the two aircraft, the TFX Mark I would be markedly inferior to the TSR-2 as regards low level attack. The TFX Mark II, however, with the improved avionics which would distinguish it from the Mark I, would have a slight military advantage over the TSR-2.

The cost of the TSR-2 would be far greater than that of the TFX; and the difference would increase as the numbers required were reduced below 110. On the basis of 110 aircraft each TSR-2 would cost £4.8 million (or £5.8 million if money already spent was included); for an order of 50 aircraft these figures would rise to £7.3 million (or £9.5 million), since the full cost of research and development would have to be spread over a smaller number of aircraft. For the TFX Mark I the United States Government had offered a maximum price of £2.1 million. They estimated the cost of the avionics which would distinguish the Mark II from the Mark I at £200,000; and, even if we allowed a further £300,000 in case this estimate proved too low, the cost of the TFX Mark II would still be no more than £2.6 million. These figures related to a purchase
of 110 aircraft; but the latest information from the United States Government indicated that, if we eventually decided to buy a smaller number, the unit cost would rise by only a very small amount. Moreover, in addition to the lower initial cost, the TFX should prove more economic to operate. In short, it could be assumed that, on the basis of a purchase of 110 aircraft, there should be a saving to the Exchequer of about £280 million over the full period of 13 years; and in the first five years, which were in many respects of critical importance to us, the saving would be some £300 million, at a dollar cost equivalent to only £12 million.

These arguments justified the proposal that the TSR-2 should be cancelled and that we should negotiate an option to buy the TFX. This was essential because we could not be certain at this stage that we should have no requirement for an aircraft of this type and we must therefore be able to maintain, if the TSR-2 were cancelled, that an alternative aircraft would be available, if we needed it, at a price agreed with the United States Government. Moreover, the United States authorities would agree to waive the 50 per cent preference rule, which at present applied against any United Kingdom military equipment bought for the United States forces; and they would also undertake to use their best efforts to procure some defence equipment from this country, provided that it met United States requirements in relation to performance, time and cost. These concessions should provide at least a partial answer to any allegations that the option to purchase the TFX would make us unduly dependent on the United States. We should now proceed, therefore, to purchase 10 TFX Mark I, for which we should need to place a firm order by 1st January, 1966; and we should also take an option to purchase up to 100 TFX Mark II. But since firm orders in relation to this option would not need to be placed before April 1967 we should have time, before deciding on the total number of aircraft which we wished to purchase, to complete the review of our overseas commitments and to judge, in the light of its results, how far we could reduce the requirement. There would also be time to consider the possibility of incorporating the Rolls-Royce Spey engine and other United Kingdom components in the TFX and to pursue in greater detail with the United States authorities the extent to which they would purchase equipment of United Kingdom manufacture.

The Minister of Aviation agreed that the TSR-2 was too expensive and that there was a case, on these grounds, for cancelling it. But it would be a wholly different matter if we cancelled the TSR-2 and adopted the TFX instead. In the first place it seemed unlikely that the redeployment of the resources released by the cancellation would offset even half of the dollar cost, equivalent to £500 million, which we should have to meet if we purchased the TFX, especially since the calculation in question took no account of the loss of aircraft exports which might result from the disruptive effect on the British Aircraft Corporation of the cancellation of their most important aircraft. Moreover, although the Corporation had been unable to quote a fixed price for the TSR-2, we could only use
pressure which they were exerting in order to frustrate sales of United Kingdom aircraft to United States airlines lent additional force to this charge.

Until the current review of our oversea commitments was completed, we could not say with certainty whether there would be a future requirement for an aircraft of the TSR-2 or TFX type; and it would therefore be difficult to sustain a decision to cancel the TSR-2 unless we could maintain that an alternative aircraft would be available if it were needed. It had therefore been suggested that we should establish an option to buy the TFX, without commitment to purchase more than a very limited number. The Cabinet would need to consider whether this was a realistic assumption or whether the outcome of the review of oversea commitments was likely to make a substantial purchase of TFX aircraft inescapable. In the latter event it might be preferable to maintain the TSR-2 programme for a further two or three months in spite of the financial and other disadvantages which this would involve.

The Secretary of State for Defence said that he had carefully considered whether we should need an aircraft of the type in question or whether the requirement could be met in other ways, e.g., by carrier-based Buccaneers or by Phantoms. This question could not be finally answered until the completion of the review of our oversea commitments; but it seemed probable that we should need at least some aircraft of this type. Other aircraft lacked both the range and the payload to fulfil either the strike or the reconnaissance roles for which the TSR-2 and the TFX were designed. Moreover, the range of the TSR-2 or TFX provided increased flexibility and economy of deployment. If we dispensed with aircraft of this type, we should be unable to fight limited wars in the 1970s in the Middle East and the Far East, unless we accepted complete dependence on the United States; and a decision involving so major a change in our existing defence role could clearly not be taken in advance of the review of commitments.

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These arguments justified the proposal that the TSR-2 should be cancelled and that we should negotiate an option to buy the TFX. This was essential because we could not be certain at this stage that we should have no requirement for an aircraft of this type and we must therefore be able to maintain, if the TSR-2 were cancelled, that an alternative aircraft would be available, if we needed it, at a price agreed with the United States Government. Moreover, the United States authorities would agree to waive the 50 per cent preference rule, which at present applied against any United Kingdom military equipment bought for the United States forces; and they would also undertake to use their best efforts to procure some defence equipment from this country, provided that it met United States requirements in relation to performance, time and cost. These concessions should provide at least a partial answer to any allegations that the option to purchase the TFX would make us unduly dependent on the United States. We should now proceed, therefore, to purchase 10 TFX Mark I, for which we should need to place a firm order by 1st January, 1966; and we should also take an option to purchase up to 100 TFX Mark II. But since firm orders in relation to this option would not need to be placed before April 1967 we should have time, before deciding on the total number of aircraft which we wished to purchase, to complete the review of our overseas commitments and to judge, in the light of its results, how far we could reduce the requirement. There would also be time to consider the possibility of incorporating the Rolls-Royce Spey engine and other United Kingdom components in the TFX and to pursue in greater detail with the United States authorities the extent to which they would purchase equipment of United Kingdom manufacture.

The Minister of Aviation agreed that the TSR-2 was too expensive and that there was a case, on these grounds, for cancelling it. But it would be a wholly different matter if we cancelled the TSR-2 and adopted the TFX instead. In the first place it seemed unlikely that the redeployment of the resources released by the cancellation would offset even half of the dollar cost, equivalent to £500 million, which we should have to meet if we purchased the TFX, especially since the calculation in question took no account of the loss of aircraft exports which might result from the disruptive effect on the British Aircraft Corporation of the cancellation of their most important aircraft. Moreover, although the Corporation had been unable to quote a fixed price for the TSR-2, we could only use
this argument effectively if we could maintain that we could be certain of acquiring the TFX at a fixed price which was not merely dependent on United States estimates and expressions of good intent. It was not clear whether this was in fact so. Finally, the proposal that we should commit ourselves to buy 10 TFX Mark I could not be defended since so small a number of aircraft would be useless in themselves and would only be of any value or significance if they were followed by a further substantial order. The question would therefore no longer be one of cancelling the TSR-2 but of substituting the TFX for it. But there seemed no reason to suppose that, if the United States Government were anxious to sell us the TFX now, they would be any less anxious to do so in some months time; and the right course, therefore, would be to cancel the TSR-2, to enter into no commitment as regards the TFX and to defend this course on the grounds that, pending the conclusion of the defence review, it was impossible to judge whether any aircraft of this type would be required and, if there were such a requirement, whether it could be met in other ways. Among the possibilities open to us would, of course, be a purchase of TFX if this proved to be the best solution.

The Cabinet—

(1) Agreed to resume their discussion at a subsequent meeting.

(2) Invited the Secretary of State for Defence, in consultation with the Chancellor of the Exchequer and the Minister of Aviation, to circulate the latest information about the terms of the agreement which might be concluded with the United States Government for an option to acquire the TFX aircraft.

_Cabinet Office, S.W.1,
2nd April, 1965._
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 1st April, 1965, at 10 p.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. Roy Jenkins, M.P., Minister of Aviation
Mr. John Diamond, M.P., Chief Secretary, Treasury (Item 2)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Mr. D. S. Laskey

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European Launcher Development Organisation
1. The Cabinet resumed their discussion and considered a further memorandum by the Secretary of State for Defence (C (65) 58) on the TSR-2 and F-111A (TFX) to which was attached the draft of a public announcement.

The Secretary of State for Defence said that, in order to secure an option to acquire the TFX at the fixed price offered by the United States authorities, we should previously have had to undertake to buy a minimum of 10 TFX Mark I. He had been in touch with the United States authorities since the Cabinet's previous discussion and this condition had now been withdrawn. The United States Government would now accept an option agreement which would not commit us to the purchase of any aircraft. If, however, we wished to exercise the option we should have to place a firm order for 10 aircraft by 1st January, 1966. We should then have the option to purchase up to 100 more aircraft, but firm orders need not be placed until 1967. The fixed price, excluding the cost of the improved avionics for the TFX Mark II, would apply to such orders if the total numbers were between 100 and 70. If the number were below 70 we should have to negotiate about the research and development element in the fixed price and this might involve some relatively small price increase. The United States authorities would still be prepared to announce the waiver of the 50 per cent preference rule when the option was signed, though they would not give effect to this administratively, by placing any order for United Kingdom equipment, until we had placed an order for a purchase of TFX. The option would thus give us an assurance that we could acquire the TFX at a very favourable price if we wished to do so, but we should not need to take any decision until 1st January, 1966, by which time we should have completed the review of our overseas commitments.

In discussion it was argued that the cancellation of the TSR-2 would do grave damage to the United Kingdom aircraft industry and would prejudice the prospects of exporting civil aircraft such as the BAC-111 and the VC-10. It would also make us unduly dependent on the United States if we were subsequently obliged to acquire the TFX. A large purchase would add a burden on our balance of payments which would outweigh the advantage of budgetary saving. As against this it was maintained that unless the TSR-2 were cancelled there would be no possibility of achieving the required economies in defence expenditure. A courageous decision to cut expenditure in the context of the Budget would be an important factor in the reaction to it of opinion overseas. Moreover, the present weakness of our economy resulted in a dependence on other countries, and in particular on the United States, even more damaging than that which would result from the purchase of United States aircraft. Skilled resources must be redeployed from the aircraft industry if we were to secure the necessary increase in productive investment and the consequent strengthening of our economy. It was also important that the dollar cost of any TFX purchase would only have to be met in the period from 5-10 years hence when the Government's policy could be

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expected to have had effect in improving the competitive efficiency of United Kingdom industry.

In further discussion it was suggested that the requirement for an aircraft of the TSR-2/TFX type could be met by the development of existing aircraft such as the Buccaneer. It should not therefore be necessary, by securing the option, to give any implied commitment at this stage to the purchase of any TFX. It was however pointed out that even a developed version of the Buccaneer would be much inferior in range and payload to the TSR-2 or TFX. It might be possible to meet part of the requirement for TSR-2/TFX by the increased use of carrier-borne Buccaneers, but until the conclusion of the review of oversea commitments it could not be assumed that no aircraft of the TSR-2/TFX type would be required if we were to be able to carry out our defence role. However, under the terms of the option agreement as now proposed a decision on this point need not be taken until 1st January, 1966.

Summing up the discussion to this point, The Prime Minister said that two possibilities could be excluded, namely a decision to complete the TSR-2 programme or to cancel the TSR-2 and replace it with an immediate order for 110 TFX. The choice therefore lay between three courses:

(i) To cancel the TSR-2 and take no action over a replacement.

(ii) To cancel the TSR-2 and secure an option on the TFX on the lines described by the Secretary of State for Defence.

(iii) To postpone any decision until the review of our oversea commitments showed whether we should have a requirement for this type of aircraft.

In discussion of these alternatives it was argued in favour of course (iii) that the position should be kept open until our requirements were known; to cancel the TSR-2 at this stage would mean that if we subsequently needed an aircraft of this type we should be forced to buy the TFX and thus become unduly dependent on the United States and incur unacceptably heavy dollar expenditure. As against this it was maintained that the Government could not afford what might prove to be nugatory expenditure on the TSR-2 at a rate of £1 million a week or the impression of indecision which would be caused by further postponement.

As between courses (i) and (ii) it was argued that the option to purchase TFX, even though it involved no commitment, would be generally taken to mean that the TSR-2 had been cancelled in favour of the United States aircraft. Until however our oversea commitments were reduced, we must, if the TSR-2 were cancelled, be able to show that a comparable aircraft would be available at a fixed price if it were needed to enable our forces to carry out their defence role.

Summing up the discussion, the Prime Minister said that the balance of opinion was in favour of course (ii), namely to cancel the TSR-2 and to secure an option on the TFX, on the lines suggested by the Secretary of State for Defence. Before a final decision could be

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taken in this sense it would be necessary that the terms of the option agreement should be confirmed by the United States authorities, particularly that it involved no commitment at this stage to purchase any TFX. Subject to this condition the Government's decision to cancel the TSR-2 might be announced by the Chancellor of the Exchequer in his Budget Speech on 6th April. Later in the same day the Secretary of State for Defence and the Minister of Aviation might hold a Press conference at which the decision could be explained more fully and a prepared statement issued. The draft announcement annexed to C (65) 58 should be amended in order to avoid the implication that the TSR-2 was being cancelled in favour of the TFX; it should be made clear that the requirement for an aircraft of this type and the possibility of meeting such a requirement in other ways were being kept open pending the outcome of the current review; the purchase of the TFX was only of these possibilities and the option had been concluded as a form of insurance.

The Cabinet—

(1) Invited the Secretary of State for Defence, in consultation with the Chancellor of the Exchequer and the Minister of Aviation, formally to confirm with the United States authorities the terms which they had conveyed orally for the option to purchase the TFX and in particular to confirm that this involved no commitment at this stage to purchase any aircraft.

(2) Agreed that subject to Conclusion (1) the TSR-2 should be cancelled and an agreement signed with the United States Government for an option to buy the TFX in the terms proposed by the Secretary of State for Defence.

(3) Agreed that the decision should be announced by the Chancellor of the Exchequer in his Budget Speech on 6th April.

(4) Invited the Secretary of State for Defence, in consultation with the First Secretary of State, the Chancellor of the Exchequer, the Foreign Secretary and the Minister of Aviation, to revise the announcement of the Government's decision on the lines agreed in discussion and to submit it to the Prime Minister for approval.

(5) Invited the Secretary of State for Defence, in consultation with the Minister of Aviation, to hold a Press conference on 6th April in accordance with the Prime Minister's summing up.

Space Policy
European
Launcher
Development
Organisation

2. The Cabinet had before them a note by the Secretary of the Cabinet (C (65) 54) to which were attached memoranda by the Minister of Aviation and the Chief Secretary, Treasury, about United Kingdom participation in the European Launcher Development Organisation (ELDO).
The Minister of Aviation said that the ELDO Conference would be reconvened in Paris on 7th April. At the previous meeting the French delegation had proposed the abandonment of the present programme and an immediate start on the development of a more advanced launcher (ELDO B). This proposal had been referred to an international Working Group which had now reported that the French proposal was unacceptable and that the original programme was technically preferable. If this were also unacceptable they recommended a compromise programme involving the development of a two-stage instead of a three-stage launcher. There was no economic case for further participation in ELDO programmes, but our withdrawal at this stage would have unfortunate political consequences in Europe, might involve the closing down of the Woomera base and would involve reliance upon the United States for heavy launchers. At the reconvened conference our delegation should therefore be authorised to participate in a future ELDO programme based on the Working Group’s recommendation. We should, however, seek to reduce our share of the expenditure to 25 per cent and we should regard 30 per cent as the maximum that we could accept in negotiation.

The Chancellor of the Exchequer said that in all the circumstances he did not press at this stage that we should withdraw from ELDO, having regard to the political implications of such a course both in Europe and in relation to our own technology. Since, however, participation was economically disadvantageous, since it diverted resources from more profitable employment and since even the advanced launcher now envisaged could not be expected to be technically or financially competitive with United States launchers, we must seek to limit our commitment. In these circumstances the best course would be for our delegation to agree in principle to a continuation of the ELDO programme in the immediate future and to accept participation until the end of 1965. In this period there should be a stringent review of the cost of the programme which should then be further considered.

In discussion the Cabinet were informed that a telegram had just been received reporting that the French Government might adopt a more flexible attitude towards the future programme of the Organisation. There was general agreement that this development should be further investigated before instructions were given to our delegation. While it was politically important that we should not be held responsible for bringing the Organisation to an end, it would, in the absence of any economic or scientific justification for the continuation of its projected programme, be desirable that we should consider whether its agreed termination might not in the event prove negotiable.

The Prime Minister, summing up the discussion, said that on his visit to Paris on the following day he would seek to clarify the attitude of the French Government. The matter should then be further considered by the Cabinet.
The Cabinet—

(1) Took note of C (65) 54.

(2) Took note that the Prime Minister would, on his visit to Paris, seek to clarify the attitude of the French Government towards the future of ELDO.

(3) Agreed to resume their discussion on Tuesday, 6th April.

Cabinet Office, S.W.1,

2nd April, 1965.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Monday, 5th April, 1965, at 10 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

Also present:
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretary:
Sir Burke Trend

SECRET
SECRET

Subject

THE BUDGET

SECRET
The Chancellor of the Exchequer communicated to the Cabinet particulars of the proposals in the forthcoming Budget.

In accordance with precedent, details are not recorded in the Cabinet Conclusions.

Cabinet Office, S.W.1.

5th April, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday 6th April, 1965, at 11 a.m.

Present:

The Right Hon. GEORGE BROWN, M P, First Secretary of State and Secretary of State for Economic Affairs (in the Chair)

The Right Hon. HERBERT BOWDEN, M P, Lord President of the Council

The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence

The Right Hon. ARTHUR BOTTOMLEY, M P, Secretary of State for Commonwealth Relations

The Right Hon. JAMES GRIFFITHS, M P, Secretary of State for Wales

The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal

The Right Hon. RICHARD CROSSMAN, M P, Minister of Housing and Local Government

The Right Hon. FRANK COUSINS, M P, Minister of Technology

The Right Hon. FREDERICK LEE, M P, Minister of Power

The Right Hon. ROY JENKINS, M P, Minister of Aviation (Item 3)

Mr. GEORGE THOMSON, M P, Minister of State for Foreign Affairs (Items 1 and 2)

The Right Hon. Sir ELWYN JONES, Q C, M P, Attorney-General (Items 1 and 2)

Mr. JOHN DIAMOND, M P, Chief Secretary, Treasury

The Right Hon. LORD CHALFONT, M P, Minister of State for Foreign Affairs (Item 3)

The Right Hon. EDWARD SHORT, M P, Parliamentary Secretary, Treasury

The following were also present:

The Right Hon. LORD GARDINER, Lord Chancellor

The Right Hon. Sir FRANK SOKNICEK, Q C, M P, Secretary of State for the Home Department

The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland

The Right Hon. DOUGLAS JAY, M P, President of the Board of Trade

The Right Hon. ANTHONY CROSLAND, M P, Secretary of State for Education and Science

The Right Hon. DOUGLAS HOUGHTON, M P, Chancellor of the Duchy of Lancaster

The Right Hon. FRED PEART, M P, Minister of Agriculture, Fisheries and Food

The Right Hon. TOM FRASER, M P, Minister of Transport

The Right Hon. BARBARA CASTLE, M P, Minister of Overseas Development

The Right Hon. EDWARD SHORT, M P, Parliamentary Secretary, Treasury

Secretariat:

Sir BURKE TREND

Mr. P. ROGERS

Miss J. J. NUNN

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The Cabinet had before them a memorandum by the Commonwealth Secretary (C (65) 55), discussing the scale of immunities and privileges to be accorded to the Commonwealth Secretariat.

The Commonwealth Secretary said that, in the preliminary discussions about the Commonwealth Secretariat, the representatives of all Commonwealth countries other than the United Kingdom had pressed strongly that full diplomatic immunities and privileges should be accorded to all senior staff of the Secretariat recruited from elsewhere in the Commonwealth. Our representative had maintained that the United Kingdom Government would have great difficulty in justifying to Parliament a concession on this scale; but, in view of the strength of Commonwealth feeling on this issue, he had had to undertake that the question would be re-examined. The Home Affairs Committee, which had subsequently considered the matter in detail, had felt that it could not be maintained that the staff of the Secretariat would need, in order to fulfil their functions effectively, to enjoy more favourable immunities and privileges than the staff of other international organisations and that the grant of full diplomatic immunities and privileges in this case would therefore be inconsistent with the policy which we were seeking to promote in relation to international organisations in general. For this reason they had, on balance, recommended that this concession should not be made. On the other hand it could be argued that the Secretariat represented a special case; that, if we granted its staff preferential treatment, this should not, therefore, provoke embarrassing repercussions elsewhere; that we ought, in any event, to be prepared to treat a Commonwealth organisation more favourably than an international organisation; and that any failure to accommodate the feeling of the rest of the Commonwealth on this point would be regarded as indicating lack of enthusiasm on our part for the concept of the Secretariat itself. In these circumstances we should endeavour to find some compromise solution; and this might best take the form of an arrangement whereby senior staff of the Secretariat recruited from overseas would be allowed to obtain from the Secretariat reasonable quantities of duty-free liquor and tobacco for representative purposes and would be granted refund of petrol duty from the Vote of the Commonwealth Relations Office. Such a concession would fall short of the scale of privileges and immunities for which the other members of the Commonwealth were asking, since it would exclude personal immunity and would not grant full continuing Customs privileges. On the other hand it would represent a genuine endeavour on our part to meet the wishes of the rest of the Commonwealth.

In discussion considerable doubt was expressed about the wisdom of the proposed compromise. It would be bound to attract considerable criticism in Parliament; it could not be justified on the grounds that it was required if the Secretariat was to discharge its functions efficiently; and it would constitute a damaging precedent.
On the other hand, if we made no concession to the views of other members of the Commonwealth, we should appear to be seeking to frustrate the Secretariat. Moreover, if we withheld the straightforward concession now envisaged, the other Commonwealth Governments might still seek to achieve their objective by arranging that the personnel whom they contributed to the Secretariat should initially be appointed to their High Commissions in London, where they would secure diplomatic privileges and immunities, and should thereafter be seconded to the Secretariat; and, if this practice were adopted by other international organisations located in London, the efforts which we were currently making to restrict the grant of diplomatic privileges and immunities to a more realistic level would be liable to be increasingly frustrated. For these reasons it might be preferable to concede the full scale of diplomatic immunities and privileges from the outset and to justify this arrangement by reference to the unique character of the Commonwealth Secretariat. But, in so far as full diplomatic status would confer personal immunity on the staff in question, it would be likely to attract particularly sharp criticism from Parliament, which was showing increasing concern about the number of individuals in London who could now claim diplomatic immunity in respect of e.g., traffic accidents.

The First Secretary of State, summing up the discussion, said that the considerations were nicely balanced but that further consideration should be given to the desirability of conceding, in this unique case, the full scale of diplomatic immunities and privileges.

The Cabinet—

Invited the Chancellor of the Duchy of Lancaster, as chairman of the Home Affairs Committee, to arrange for the Committee to give further consideration, in the light of their discussion, to the scale of immunities and privileges to be accorded to the Commonwealth Secretariat.

The Chancellor of the Duchy of Lancaster said that the proposals in C(65)50 had been prepared by a Committee of Ministers under his chairmanship and were designed to secure that private persons did not suffer injustice as a result of faulty administration on the part of the central Government. Since this was one of the functions of a Member of Parliament, it was proposed that the Parliamentary Commissioner should be regarded as an additional instrument which Members could use for this purpose. Like the Comptroller and Auditor-General, he would be appointed by Letters Patent, would be paid from the Consolidated Fund and would be immune from dismissal except on a Motion of Parliament. He would make regular reports to Parliament, which would probably establish a Select Committee to consider them. He would act only
at the instance of a Member of Parliament upon a complaint of personal injustice suffered by the complainant. He would be concerned with faults in administration and would not be entitled to substitute his discretion for that of a Minister or to criticise policy. It had not been found possible to define the type of case with which he should be concerned in terms of particular manifestations of faulty administration; and much would necessarily depend on his exercise of his discretion. But certain issues would be explicitly excluded from his scope, including, among others, questions within the competence of the courts or of independent tribunals, matters concerning oversea relations and the administration of Colonial territories, the commercial relationships of Departments and the employment of Crown servants in the widest sense.

The Committee had thought it desirable that the Commissioner should be seen as a Parliamentary, not a public, institution in order that his functions should not derogate from those of Members of Parliament or weaken the ties of Members with their constituencies. But this conclusion raised the further questions whether it should be open to Members of the House of Lords to refer complaints to the Commissioner and whether his reports should be received by a Select Committee of both Houses. On these points the Committee had not reached any conclusions. On the one hand Peers were not representative in the same sense as Members of the House of Commons. On the other hand Members of Parliament could not be excluded from referring complaints submitted to them by persons who were not their constituents but either had no constituency or were reluctant to approach their own Members; but, if Members of the House of Commons were not to be so limited, the case for excluding Peers from access to the Commissioner was weakened. Moreover, Peers already addressed questions to Ministers about individual cases; and they would be at a disadvantage if they could not pursue these enquiries by a reference to the Commissioner.

As regards the composition of the Select Committee, there might be some embarrassment if Ministers who sat in the House of Lords were summoned before a Select Committee of the House of Commons and were subject to strictures which could be answered effectively only in that House. There might be some difficulty, however, in securing an appropriate balance between the two Houses in a Joint Select Committee.

The Committee had also left for consideration by the Cabinet the questions whether the Commissioner should have access to Cabinet and Cabinet Committee papers and conclusions and whether the Cabinet Office itself should be outside his purview. They inclined to the view that it might be better that the Government should allow the Commissioner a limited degree of access, confined to those cases in which he could demonstrate that it was necessary for the purpose of his enquiries, than that they should be faced with the embarrassment of a report by the Commissioner that he was unable to conclude certain inquiries because he had been denied access to relevant
In any event, however, they considered that the Cabinet Office itself should be excluded from the scope of the Commissioner’s inquiries.

Access to the Parliamentary Commissioner

In discussion it was suggested that there would be liable to be criticism, both of the Government and of the House of Commons, if the private citizen, having failed to secure redress through his Member of Parliament, were precluded from submitting his complaint direct to the Parliamentary Commissioner. Moreover, the burden on individual Members of Parliament, who would not be able in this context to refuse to deal with complaints from outside their own constituencies, would become intolerable unless they were prepared to refer complaints to the Parliamentary Commissioner without first making their own inquiries. To confine the right of access to the Commissioner to Members of Parliament would be the more undesirable if the restriction served to justify according the same privilege to Peers, both because Peers might be put in a position to complain that a Member of the House of Commons had not investigated a complaint adequately and because the right of access to the Commissioner would enhance the status and authority of the House of Lords. On the other hand, if the Commissioner was regarded as an instrument of Parliament (as was necessary both in order to maintain the position of the individual Member of Parliament and to reduce the volume of work falling on the Commissioner), that instrument should be available to the Second Chamber so long as a bicameral Parliament was retained. Moreover, the House of Lords had its own role in securing the redress of grievances. Peers were accustomed to submitting complaints to Ministers on behalf of individual members of the public; and, if they were deprived of access to the Commissioner, their position would be unjustifiably weakened in comparison with that of Members of the House of Commons.

The First Secretary of State, summing up this part of the discussion, said that on balance the Cabinet were of the opinion that, as a means both of maintaining the standing of Parliament and of reducing the number of complaints reaching the Parliamentary Commissioner, it was necessary that access to him should be confined to Members of Parliament. Neither of these purposes, however, made it necessary to extend this right of access to Members of the House of Lords; there were sufficient reasons for not doing so and, therefore, for confining the proposed Select Committee to Members of the House of Commons. It would have to be accepted, however, that the citizen could not be expected to obtain access to the Commissioner only through his own Member of Parliament.

Cabinet and Cabinet Committee Papers

In further discussion it was suggested that, if the Commissioner were permitted to have limited access to Cabinet papers at the discretion of the Prime Minister, the Prime Minister would be exposed to Questions in the House of Commons about his reasons
for refusing access in a particular case. This might be embarrassing; and, since access could clearly not be unrestricted, the better course, and the course more consonant with the dignity of the Cabinet, appeared to be to refuse access in any circumstances. Where a matter which the Commissioner was investigating had been the subject of a collective decision and an individual Minister had been responsible for executing that decision, the Commissioner's inquiries should not extend beyond the discharge of this departmental responsibility. The matter might appear to be more debatable where more than one Minister had been involved and faults in administration might have resulted from defective co-ordination; but, here too, it would be desirable that the Commissioner's inquiries should be addressed to the Department with the primary responsibility.

The First Secretary of State, summing up this part of the discussion, said that it was agreed that the Parliamentary Commissioner should not be given access to Cabinet or Cabinet Committee documents. It followed that the Cabinet Office itself should be outside his purview.

In further discussion the following points were made:

(a) The exclusion of local authorities and the nationalised industries from investigation by the Commissioner might be regarded as precluding inquiry into the large majority of instances of injustice suffered by private individuals. To exclude nationalised industries in particular might be thought to have political implications; and it would be the more unfortunate in that these industries were not subject to the degree of Parliamentary control which could be exercised in relation to Government Departments. On the other hand the Committee's recommendation that the nationalised industries should be excluded from the Commissioner's scope had been based on the view that it would be inappropriate that the Commissioner should concern himself with relationships between consumers and suppliers which, in the case of the nationalised industries, were a matter for Consumer Councils or that the nationalised industries should be subjected to a form of scrutiny not applied to their competitors in the private sector. In addition, if the Commissioner were empowered to investigate complaints against local authorities, he would be required to shoulder a greater burden than he could be expected to carry, at least at the outset. It was proposed, however, that the legislation should be so drafted as to enable the Commissioner's scope to be extended by Order, subject to Affirmative Resolution.

(b) It would be desirable that posts abroad should be excluded from the Commissioner's investigations, since it might not be possible for him to inquire into their alleged defects without trespassing on the field of relations with overseas Governments, which were specifically excluded from his scope. Moreover, the defects themselves might be attributable to some extent to the policies of the Governments of the countries in question, which we were not in a
position to influence. Finally, it would be administratively difficult for the Commissioner to investigate complaints arising abroad.

(c) No opportunity for the legislation to establish the Commissioner was likely to occur in the current Session. But it would be desirable to publish a White Paper, setting out the Government's proposals, after the projected White Papers on Land, Steel, etc., perhaps in July. Legislation would then be considered for inclusion in the programme for the following Session.

The Cabinet—

(1) Approved the proposals in C (65) 50, subject to the points made in their discussion.

(2) Invited the Chancellor of the Duchy of Lancaster to arrange for the draft of a White Paper about the Parliamentary Commissioner to be submitted to them in due course.


The First Secretary of State recalled that at their previous discussion the Cabinet had questioned the desirability of our accepting a commitment to participate in the development of a more advanced launcher (ELDO-B). In view of the report that the French Government might adopt a more flexible attitude towards the future programme of the Organisation, the Prime Minister had hoped that, during his subsequent visit to Paris, he might be able to clarify their intentions. In the event, a suitable opportunity for this purpose had not arisen; but the attitude which our delegation should adopt at the forthcoming conference of the Organisation must be considered in the light of the understanding which the Prime Minister had reached with the French President for a general intensification of Anglo-French technological co-operation. In these circumstances we should not adopt too negative an attitude towards ELDO; and it might be best, therefore, that our delegation should agree in principle to continue to participate in the work of the Organisation until the end of 1965, during which period there should be a stringent review of the cost of the programme, which should then be further considered.

In discussion it was suggested that it would be impracticable for our delegation to sustain this position. The conference would have before it the report of a Working Group, which recommended a compromise programme involving the development of a two-stage launcher; and this proposal would either have to be accepted in principle or be rejected. It might be to our advantage to accept it, since it would be undesirable to leave future developments in this field to virtual monopoly by the United States. Moreover, the new understanding with the French Government about technological
co-operation between France and the United Kingdom strengthened the political arguments in favour of our continued participation in ELDO; and these arguments were further reinforced by the fact that, since the previous Cabinet discussion, the French Government had themselves agreed to accept the report of the Working Group. If, therefore, we now rejected it, we should find ourselves isolated at the conference; and our political standing in Europe would be further damaged. In agreeing to participate in principle, however, we should argue strongly for a limitation of the total cost of the programme and for a reduction of our share of the expenditure.

On the other hand there was no scientific or economic advantage in continued participation in the programme, which would, indeed, represent a wholly uneconomic use of scarce technological resources. Moreover, the expenditure involved was not only substantial already but was likely, on the basis of our previous experience, to increase well beyond the present estimate. Finally, the recent discussions between representatives of the French Defence Department and the Defence Research Committee’s Sub-Committee on Space, under the chairmanship of Professor Bondi, had established that the French Government had little genuine enthusiasm for the ELDO programme and might prefer bilateral co-operation with the United Kingdom. This suggested that their attitude might well be dictated more by a reluctance to incur the odium of bringing the Organisation to an end than by a genuine desire to maintain its work.

The First Secretary of State, summing up the discussion, said that the balance of advantage appeared to lie in accepting in principle the report of the Working Group for the continuation of the ELDO programme on lines directed to the development of an ELDO-B launcher. But this should be on the understanding that we should not at this stage accept any commitment as regards either the total expenditure to be incurred in relation to this project or our own share of that expenditure. In the meantime, there would be an opportunity to give further consideration to the financial and technological implications of continued participation in the ELDO programme; and we should also initiate confidential discussions with the French Government in order to ascertain whether they would be prepared to consider alternative forms of technological co-operation which would be more economic than the continuation of ELDO.

The Cabinet—

(1) Agreed that the United Kingdom delegation at the forthcoming Conference of the European Launcher Development Organisation should be instructed to present the United Kingdom case on the lines indicated by the First Secretary of State in his summing up of the discussion.

(2) Invited the Minister of Aviation, in consultation with the Minister of Technology, the Minister of State for Foreign Affairs and other Ministers concerned, to initiate
confidential discussions with the French Government in order to ascertain whether they would be prepared to consider alternative forms of technological co-operation with the United Kingdom which would be more economic than the programme of the Organisation.

Cabinet Office, S.W.1,
6th April, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 8th April, 1965, at 10.30 a.m.

Present:

The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs (in the Chair)

The Right Hon. Herbert Bowden, M.P., Lord President of the Council

The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer

The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations

The Right Hon. James Griffiths, M.P., Secretary of State for Wales

The Right Hon. The Earl of Longford, Lord Privy Seal (Items 1 and 2)

The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government

The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. Tom Fraser, M.P., Minister of Transport

The following were also present:

The Right Hon. Frederick Mulley, M.P., Deputy Secretary of State for Defence and Minister of Defence for the Army (Items 2 and 3)

The Right Hon. Sir Elwyn Jones, Q.C., M.P., Attorney-General (Item 4)

Mr. Richard Marsh, M.P., Joint Parliamentary Secretary, Ministry of Labour (Item 4)

Mr. George Thomson, M.P., Minister of State for Foreign Affairs (Items 1–3)

The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:

Sir Burke Trend
Mr. P. Rogers
Mr. D. S. Laskey
Mr. A. A. Jarrett
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week. It would be necessary to provide time for the Debate on the Opposition Motion of Censure on the Government's decision to cancel the TSR-2 aircraft; and it would therefore be necessary for the House of Commons to re-assemble, after the Easter Recess, on Monday, 26th April, instead of Tuesday, 27th April.

The terms of the Motion of Censure were discussed. It was agreed that the Government should table no Amendment but should simply invite the House to reject the Motion.

2. The Minister of State for Foreign Affairs said that the statement by the President of the United States on the previous day, that the United States Government were prepared to undertake unconditional discussions directed to a peaceful settlement of the conflict in Vietnam, had introduced a new and more hopeful element into the situation. The Prime Minister proposed to issue a public statement that afternoon welcoming this offer, which was in keeping with the initiative which we ourselves had been seeking to promote. We should now intensify our efforts to elicit a favourable response from the Governments of the People's Republic of China and North Vietnam.

The Minister of State for Foreign Affairs informed the Cabinet that the decision of the Federal German Government to arrange a meeting of the Federal Parliament in Berlin had provoked a marked reaction on the part of the Soviet Government. The access of the Western Powers to Berlin had been subjected to fresh measures of harassment; and the meeting of the Federal Parliament itself on the previous day had been interrupted by low-flying Soviet aircraft. These events confirmed that we had been wise to question the original decision of the Federal Government to hold a meeting of the Federal Parliament in Berlin. Even so, we should be careful not to show undue concern about the Soviet reaction, which was perhaps no sharper than was to be expected in the circumstances; and, although we should associate ourselves with the other Allied Governments in protesting to the Soviet Government about their infringement of Western rights in relation to the City, we should seek to prevent the incident from assuming undue proportions. There were grounds for hoping that the Soviet measures might cease as soon as the present session of the Federal Parliament came to an end in the near future.

The Cabinet—

Took note of these statements by the Minister of State for Foreign Affairs.
3. The Cabinet considered a memorandum by the Common­wealth Secretary (C (65) 60) about military aid to India and Pakistan.

The Commonwealth Secretary said that, since the Chinese attack on India in 1962, we had provided military aid to the Indian Government on a substantial scale. A continuation of such aid, although necessarily at a lower annual rate than in the preceding two years, was essential if we were to achieve our political objectives, namely to maintain close relations with India; to retain our influence over India's defence policies; to fulfil our assurances that we would assist India to meet a Chinese attack; to remain in partnership with the United States in pursuing these policies; and to limit the spread of Soviet influence in the Indian armed forces. Moreover, continued assistance to India as regards conventional arms might assist the Indian Government to resist internal pressures to manufacture nuclear weapons. If we gave military aid to India, however, similar aid would have to be given to Pakistan if we were to maintain our relations with that country. It was for these reasons that he proposed that we should offer, in the case of India, to finance the construction of an Oberon Class submarine costing £4½ million, and to supply refurbished Hunter fighter aircraft required by the Indian Air Force. We should offer as a gift four Hunters, which would be completed in 1965-66 at a cost of £20-5 million; and we should undertake to consider sympathetically the question of financing a further 26 Hunters, which would cost about £3 million. In the case of Pakistan we should offer to finance an Oberon Class submarine and to supply certain radar and electronic equipment to a value of £1 million. The timing of any announcement should be decided after consultation with the United States Government, particularly in view of the impending visit of the President of Pakistan to Washington. It should also be possible to defer publicity for our offers, in order that we need not appear to our creditor countries to be acting in a manner which was inconsistent with the demands of our present economic situation.

The Chancellor of the Exchequer said that he recognised that these proposals were substantially less expensive than those originally put forward. Nevertheless, there had been a sharp increase in the level of military aid given by the United Kingdom to other countries during recent years; and in the case of the Indian sub-continent there could be no assurance that the present proposals would not be merely a further stage in a process which could continue indefinitely. Moreover, continuing military aid to India and Pakistan would encourage an arms race between the two countries, which would aggravate still further the demands on us. Finally, military aid to India had to be weighed against our economic aid to the Indian Government, the need for which was also likely to increase. In these circumstances we should undertake only the minimum commitment which would serve to hold the position and should defer decisions on further requests until the military and economic implications of our aid policies could be assessed in greater detail, particularly in the light of the current review of our defence expenditure.
In discussion there was general agreement that if we refused all further military aid to India, we might inflict irreparable damage on our political and military relations with the Indian Government. There was therefore a strong case for agreeing to provide Hunter aircraft on the lines suggested by the Commonwealth Secretary. As regards the submarines, India and Pakistan would certainly obtain them elsewhere if we refused to supply them. The Soviet Union had offered substantial assistance to the Indian Navy; and, if this offer were accepted, the close links which now existed between the Royal Navy and the Indian Navy would be jeopardised and the Soviet penetration of the Indian Ocean would endanger both our own military dispositions in the area and our co-operation with the United States Government in its defence. Moreover, the submarines would be built in the United Kingdom and would give valuable employment to the shipbuilding industry. On the other hand, the provision of a submarine for the Indian Navy was not related to the defence of India against the Chinese threat; and in so far as it might commit us in effect to provide further substantial military aid, it would be held to be inconsistent with the Government's intention, as evidenced by the measures to reduce private overseas investment which had been announced in the Budget Speech earlier that week, to neglect no means of easing the burden of our expenditure overseas. Before we incurred any commitment in this respect, therefore, we should examine its implications more carefully and explore the possibility that the United States Government might accept responsibility for meeting these requests from India and Pakistan.

In further discussion it was suggested that economic aid was even more important than military aid in preserving our political relations with India and in countering Soviet influence in the sub-continent. There was general agreement that we should not reduce our economic aid in order to provide military aid; but it could be argued that, given the political importance attached by the Indian Government to military aid, the provision of economic aid alone would not suffice to maintain our existing relationship with India.

The First Secretary of State, summing up the discussion, said there was general agreement that we could not afford to refuse all further military aid to India and that we should therefore agree to supply Hunter aircraft to the Indian Government. The immediate commitment should be limited to the four aircraft which would be ready for delivery in 1965–66; but it must be accepted that we should, in fact, be committed to supply subsequently the balance of 26 aircraft. A decision on the other requests, particularly the submarines, should be suspended until we had consulted the United States Government about the scope of the programme of continuing military aid to India and Pakistan and its implications. These consultations might also deal with the method and timing of the communication to the Indian Government of the decision to supply Hunter aircraft.
The Cabinet—

(1) Agreed that we should offer to supply Hunter aircraft to the Government of India on the basis indicated by the First Secretary of State in his summing up of the discussion.

(2) Invited the Minister of State for Foreign Affairs, in consultation with the Commonwealth Secretary, to consult the United States Government, on the lines agreed in the discussion, about the scope and implications of the rest of the programme of continuing military aid to India and Pakistan.

(3) Agreed to resume their consideration of defence aid to India and Pakistan in the light of the consultations to be undertaken under Conclusion (2) above.

4. The Cabinet considered a memorandum by the Minister of Power (C (65) 59) to which was appended a draft White Paper on Iron and Steel Nationalisation.

The Minister of Power said that the draft White Paper was designed to emphasise that the iron and steel industry was unlike any other part of the private sector in that it had been subject to a special, even if inadequate, measure of public supervision for the last 30 years; to state the Government's case for nationalising the main part of the industry; to demonstrate that common ownership should bring real gains in industrial efficiency; and to outline the Government's specific legislative proposals. The draft implied that the Government's objectives could not be achieved merely by strengthening the Iron and Steel Board as had been proposed in some quarters; but it did not discuss the alternative suggestion that the Government should approach the problem by acquiring a shareholding of 51 per cent in the main steel companies, since this would detract from the positive presentation of the Government's own proposals.

The main points arising on the draft were as follows. First, it would be inadvisable that the White Paper should make any special reference to the substantial savings in manpower which were thought to be obtainable from the rationalisation of the industry. However this topic might involve the Government in some embarrassment during the debates on the Bill; and he would decide how it should best be dealt with in the light of further discussions with the Trades Union Congress. Second, it was proposed that the safeguarding provisions to be incorporated in the Bill in order to prevent dissipation of the property and assets of the companies to be nationalised in the period until Vesting Day should apply in certain instances to transactions entered into after 4th November, 1964, the day on which the First Secretary of State had announced the Government's intention to nationalise the main part of the industry. Third, it was proposed that the National Steel Corporation should have power to purchase compulsorily, with the Minister's consent.
land required both for iron ore working and for other purposes. This power was vested in most other nationalised industries and would be required by the Corporation for the implementation of their development programme; but it might provoke objections on the part of some local authorities. Fourth, the section on the British Iron and Steel Federation (BISF) made it abundantly clear, in accordance with the views expressed by the Cabinet in their earlier discussion, that the Government were determined to establish satisfactory arrangements as regards the industry's central trading activities, if necessary by legislation.

The Speaker had deferred a ruling on whether the Bill would be hybrid, until it had been published and he could therefore enter into the necessary consultations; but the advice received from the other authorities whose views had been sought suggested that no difficulty should be encountered on this score.

The Cabinet then examined the draft White Paper. In discussion the following main points were made:

(a) Paragraph 2. It was intended to sound Parliamentary opinion on the Government's proposals by means of a debate on a Motion seeking the approval of the House to the White Paper. It was essential that, if the Government failed to carry the Motion, this should not be construed as an implied defeat for the Government's legislative proposals themselves. From this point of view it would be advisable to delete the statement that legislation embodying the Government's proposals would be presented to Parliament this Session.

(b) Paragraphs 10-14. It was generally agreed that Section III did not present a wholly convincing case for nationalising the iron and steel industry. A large part of the Section was devoted to criticising the present arrangements without giving a clear indication of the benefits which would result from public ownership. There might be advantage, therefore, in concentrating the arguments in paragraphs 11-13 in a separate Section, which would be devoted to analysing the weaknesses in the present organisation of the iron and steel industry. This should include a specific reference to the amount of public funds which had been injected into the industry in recent years; and it should also bring out more clearly the difficulty which private enterprise would encounter in finding the very substantial capital sums which would be required in order to support the industry's next major expansion programme. A rearrangement on these lines might also overcome the presentational difficulty of explaining the Government's policy on steel prices in the light of the declaration by the Restrictive Practices Court that the industry's recent pricing policies had been contrary to the public interest. It seemed likely that the nationalised sector of the industry would be obliged to follow a common pricing policy; and, while this would have regard to the public, rather than to private, interest, it would be inadvisable to draw specific attention to this possibility in the White Paper. It was further agreed that paragraph 10, the first
sentence of paragraph 11 and paragraph 14 should be omitted from the new Section.

(c) Paragraphs 15–17. These paragraphs, which described the Government’s objectives in nationalising the industry, would then form the introduction to the next Section of the White Paper, which should be devoted to the Government’s specific legislative proposals. It was suggested that more emphasis might be placed on the opportunities which would be afforded by public ownership of the industry for rationalising its structure and operation in ways which would not only improve its productivity but would also release valuable resources of manpower for more economic employment elsewhere. On the other hand it might be dangerous to imply that the industry’s inflated labour force could be substantially reduced except over a long period. The first step would be to seek to secure a reorganisation of the negotiating machinery of the industry; and this process, which would involve delicate negotiations with the unions concerned, would be liable to take a considerable time. The prospect of a substantial reduction in the labour force could perhaps be more appropriately foreshadowed by a more specific reference to the major structural and technological changes in the industry which would be required in the coming years. The reference to the export potential of the industry in paragraph 15 (d) was unsatisfactory in that it failed to specify the ways in which the Government intended, by means of nationalisation, to increase exports of iron and steel. If it was impracticable to elaborate this point in detail, it would be preferable to give less prominence to exports in the White Paper and to confine any reference to this subject to an expression of hope that, despite recent trends, improvements could be secured.

(d) Paragraph 18. As at present drafted, this paragraph might convey the impression that the Government had approached the question of nationalising the industry by selecting certain named companies which they wished to take into public ownership; and this might reinforce the suspicion that the Bill would be a hybrid measure. It would be preferable, therefore, to indicate at the outset the objective criteria by reference to which the Government had decided that a company should, or should not, be nationalised and to indicate that it was in the light of these criteria that the companies specified in the paragraph had been chosen. The particular case of Richard Thomas and Baldwins Limited, which was already publicly owned, should be dealt with separately.

(e) Paragraph 25. Doubts were expressed about the desirability of applying the proposed safeguarding provisions to transactions entered into after a date as early as 4th November, 1964, unless there was sufficient evidence that the companies to be nationalised had dissipated their property and assets between that date and the date of publication of the White Paper. On the other hand adequate evidence to this effect might not be forthcoming since there would be great difficulty in ascertaining whether such transactions had, or had not, taken place; yet there was a real risk in some cases that they might have been concluded, at least on a provisional basis. It would therefore be wiser to anticipate this risk on the lines proposed.
in the White Paper, while making it clear that the safeguarding provisions were not intended to hamper the normal and legitimate operations of the companies concerned.

(f) Paragraph 44. The White Paper should contain no reference to the possibilities of further legislation in relation to the trading activities of the BISF, other than that implied in the statement that the Government proposed, in the first instance, to try to secure their objective by negotiations. The threat of further legislation should be kept in reserve for use during the debates on the Bill, if the subsequent reactions of the Federation showed this to be necessary.

(g) Paragraph 46. It was agreed that the last two sentences of this paragraph should be deleted.

In further discussion some doubts were raised about the advisability of announcing in the White Paper the terms on which compensation would be paid to the shareholders of the companies to be nationalised. On the other hand, since the terms of compensation would not be affected by the date on which they were published, the Government might be criticised for unnecessarily withholding the relevant information from those personally affected. Moreover, it could reasonably be claimed that the compensation provisions formed an integral part of the nationalisation project and should therefore be published together with the remainder of the Government’s legislative proposals. The timing of the publication of the White Paper would need to be further considered at a later date in the light of the general climate of opinion at home and overseas in relation to the country’s economic situation as well as of the Parliamentary timetable in the weeks following the Easter Recess.

The Cabinet—

(1) Invited the Minister of Power to redraft the White Paper on Iron and Steel Nationalisation appended to C (65) 59 in the light of the points made in the discussion.

(2) Agreed to give further consideration to the timing of the publication of the White Paper at a subsequent meeting.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 13th April, 1965, at 10.30 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:

The Right Hon. Anthony Wedgwood Benn, M.P., Postmaster-General (Item J)
Mr. Austen Albu, M.P., Minister of State, Department of Economic Affairs (Item J)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Mr. D. S. Laskey
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<td><strong>BBC FINANCE</strong></td>
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1. The Cabinet were informed of the business to be taken in the House of Commons in the week after the Easter Recess.

Oversea Affairs

Vietnam
(Previous Reference: CC(65) 24th Conclusions, Minute 2)

2. The Foreign Secretary said that the Government of the People's Republic of China had now rejected our suggestion that Mr. Patrick Gordon Walker should visit Peking during his tour of the Far East and had also rebuffed our request to the countries concerned for their views on the situation in Vietnam, on the grounds that, since we were not prepared to condemn United States retaliation against North Vietnam, we were no longer entitled to be regarded as co-Chairman of the Geneva Conference. They had adopted an equally uncompromising attitude towards an attempt by the Secretary-General of the United Nations to devise a means of mediation in the Vietnamese dispute. We had replied to the Chinese note asking them to reconsider their unconstructive answer; but, even if Mr. Gordon Walker's tour had to be confined to non-Communist countries, it might nevertheless prove valuable and should therefore go forward.

Meanwhile, the Soviet Government had proposed that a conference should be arranged about Cambodia; and, since this might afford the opportunity for private discussions about Vietnam with the other interested Governments, the balance of advantage probably inclined in favour of endorsing this project. It might be possible for the Prime Minister, during his forthcoming visit to Washington, to ascertain whether the United States Government would be prepared to modify the objections to such a conference which they had previously entertained.

The Foreign Secretary said that the situation in Berlin had now returned to normal; and this confirmed our impression that the measures which the Soviet Government had recently taken to harass the inhabitants had been no more than a political demonstration in response to the decision of the Federal German Government to hold a meeting of the Bundestag in the city. While it would be disadvantageous to appear to surrender the right of the Bundestag to meet in Berlin, it would be politic that occasions of this kind should be relatively infrequent in future. We had therefore informed the Federal Government that we could not endorse a suggestion that the Bundesrat should also meet in Berlin this year; and it seemed probable that the United States and French Governments would adopt the same attitude.

The Prime Minister said that the situation in Southern Rhodesia appeared to be deteriorating afresh; and we must now reckon with the possibility that the Government of the Colony might make a unilateral declaration of independence immediately after the forthcoming general election.

The Commonwealth Secretary said that it could be inferred that the Prime Minister of Southern Rhodesia, Mr. Smith, had been
unable to carry his Party with him in pursuing certain tentative proposals for a settlement which he had initiated in private discussion with the Lord Chancellor and himself before they left Southern Rhodesia at the end of their recent mission. The United Kingdom High Commissioner in Salisbury had been instructed to seek urgent clarification of Mr. Smith's intentions.

In discussion it was suggested that after the forthcoming election the moderate and extremist elements in the Rhodesia Front Party might still fail to reach agreement on the policy to be pursued; and it should not be assumed, therefore, that Mr. Smith had yet abandoned his proposals. Meanwhile, however, it would be necessary to review the measures which we should take if the Government of Southern Rhodesia made a unilateral declaration of independence in the near future.

The Cabinet—
(1) Took note of these statements.
(2) Took note that the Prime Minister would arrange for a further review of the measures to be taken if the Government of Southern Rhodesia made a unilateral declaration of independence in the near future.

3. The Cabinet considered a memorandum by the Postmaster-General (C (65) 61) on the finances of the British Broadcasting Corporation (BBC).

The Postmaster-General said that, as a result of decisions taken by the previous Government, the BBC had expanded their services. But no financial provision had been made to cover this expansion; and the Corporation had consequently incurred a deficit which was increasing at the rate of about £300,000 a week. The Ministerial Committee on Broadcasting had therefore examined a proposal by the BBC that the combined television and sound licence fee should be increased from £4 to £6 and the sound only fee from £1 to £1 5s. The Committee had felt, however, that such a large increase would be generally resented and might also be regarded as incompatible with the Government's policy as regards prices and incomes. They had therefore recommended that the increase in the combined licence should be limited to £5 (and to £1 5s. for the sound licence). In addition, however, the Corporation should be required to exercise certain economies, particularly by deferring work on colour television; but the planned expansion of the coverage of BBC 2 need not be affected. By these means the BBC's deficit could be contained for a year or two; and, meanwhile, there should be a comprehensive review of their finances and development plans. Such a review was the more necessary because the Corporation could not depend in the future, as in the past, on an annual increase in the number of viewers to provide increased licence revenue: it was estimated that, whatever increase in licence fees might be made on the present occasion, if the present system continued unchanged the licence fee would
shortly have to rise by 10s. a year to cover the BBC's expenditure. The proposed review would therefore examine alternative means by which the Corporation might obtain additional revenue, including the possibility of including some measure of advertisement in their programmes; and it would also need to study both the possibility of countering the evasion of licence fees and the question of imposing some control on the manner in which the BBC used the resources at their disposal. This would not imply, however, any infringement of the Corporation's Charter or any attempt to supervise the content of their programmes.

In discussion it was agreed that some increase in the licence fees was essential in order to reduce the BBC's deficit. It was proposed that action might be deferred until the projected review had been completed and had established how large an increase in licence fees would be required. There was, however, general agreement that the rate of increase of the deficit was such that an immediate decision was needed. It was also suggested that an increase in the combined fee to £6, as well as being inconsistent with the Government's policy as regards prices and incomes, would be liable to be particularly resented in those parts of the country which were not yet fully covered by BBC transmissions. On the other hand it would be embarrassing if, after a relatively small increase at the present stage, the review demonstrated that a further increase would have to be made after a short interval. The balance of opinion, however, was in favour of an increase in the combined licence to £5 (and in the sound licence to £1 5s.) as an interim measure, pending the outcome of the review.

It was agreed that the inclusion of advertisements in the BBC's programmes might yield a substantial additional revenue. But this possibility would raise an important issue of principle in the light of the Labour Party's declared policy on commercial television. On the other hand, a majority of viewers preferred Independent Television, which they regarded as a free service, to the BBC for which a licence fee had to be paid. Moreover, an arrangement by which the BBC would derive some revenue from the display of advertisements need not necessarily imply that they would operate on a commercial basis, as did Independent Television. For example, the proposed fourth channel might be used mainly to give effect to the Government's proposal for a "University of the Air" but might also be devoted to remunerative advertisement material in periods not required for educational broadcasts. The inclusion of advertisements in the Corporation's Light programme might also contribute to solving the problem of the "pirate" radio stations.

In further discussion the following main points were made:

(a) Further measures should be considered to deal with evasion of licence fees, which undoubtedly took place on a considerable scale. For example, the owner of a receiver might be made responsible for ensuring that it was licensed; this would place the onus for complying with the licence regulations on the companies which rented receivers. There might also be a requirement that an intending purchaser must
produce a licence before he could buy a receiver. And the BBC should be more active in ensuring that viewers were aware of the licence regulations.

(b) The failure of the recent Vienna Conference on colour television to reach agreement implied that an interval would be unavoidable before further progress could be made in the development of colour television. In any public statement of the Government's intentions about the licence fees, therefore, it should be made clear that it was technical difficulties rather than restrictions imposed by the Government which would make it necessary for the BBC to defer work on colour television.

(c) It was suggested that the aged and the poor relied mainly on sound broadcasts rather than on television and that the sound licence fee should therefore remain at £1. On the other hand the vast majority of sound receivers were now transistor equipments, owned predominantly by younger people who could well afford to pay a modest increase in the fee.

(d) The area covered by BBC 2 was being rapidly expanded. Although an increase in licence fees would be resented in those areas of the country which did not yet receive this programme, it would be impracticable to operate a system of licence fees based on regional differentiation. There were also administrative difficulties in the way of conceding a reduced rate of licence fee to pensioners.

The Prime Minister, summing up the discussion, said that there was general agreement that there should be an immediate increase in the combined licence fee to £5 and in the sound licence fee to £1 5s. At the same time the proposed review of the BBC's finances and development plans should be put in hand; and its results should be submitted to Ministers during July, together with the outcome of the parallel examination by the Ministerial Committee on Broadcasting of the policy issues in connection with the future of educational broadcasting and the associated possibility of financing future developments by the inclusion of a certain amount of advertisement material in the BBC's programmes.

The statement which the Postmaster-General proposed to make in Parliament about the increase in the licence fee should be revised in order to take account of the points made in discussion; and it should give more emphasis to the positive aspects of the Government's policy for broadcasting and television.

The Cabinet—

Approved C (65) 61, subject to the points made in discussion and in the Prime Minister's summing up.

_Cabinet Office, S.W.1._

13th April, 1965.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 27th April, 1965, at 10.30 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Tom Fraser, M.P., Minister of Transport

The following were also present:

Mr. John Diamond, M.P., Chief Secretary, Treasury (Item 3)
Mr. Edward Redhead, M.P., Minister of State, Board of Trade (Item 2)
Mr. Austen Albu, M.P., Minister of State, Department of Economic Affairs (Items 2-5)

The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:

Sir Burke Trend
Mr. P. Rogers
Miss J. J. Nunn

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Parliament

1. The Cabinet considered the business to be taken in the House of Commons in the following week.

Oversea Affairs
South-East Asia
(Previous Reference: CC (65) 25th Conclusions, Minute 2)

2. The Foreign Secretary recalled that the Soviet Government had recently proposed that they and the United Kingdom Government, as co-chairmen of the 1954 Geneva Conference, should invite the Governments which participated in that conference to attend a new conference to discuss the neutrality and territorial integrity of Cambodia. This would provide a convenient opportunity for simultaneous private discussions about possible means of ending the conflict in Vietnam; and we had therefore favoured the Soviet initiative. The United States Government, on the other hand, had originally been reluctant to take part in the conference unless it was endorsed by the Government of South Vietnam. In response to strong representations from ourselves, however, they had now been persuaded to accept the Soviet proposal; and in these circumstances, it had been possible for him to announce in the House of Commons on the previous day that we would associate ourselves with the Soviet Government in issuing the necessary invitations. But the fact that we had now publicly endorsed the Soviet proposal should make it difficult for the Soviet Government themselves to withdraw it at this stage.

The Prime Minister said that the Prime Minister of Southern Rhodesia, Mr. Ian Smith, had recently announced that a General Election would be held in the Colony on 7th May. It would be important that we should not appear to intervene in any way in the electoral campaign or to encourage the natural tendency of the Rhodesia Front Party to seek to make this campaign an occasion for inflammatory statements about a unilateral declaration of independence. At the same time we should maintain as unobtrusively as possible our confidential discussions with Mr. Smith about a possible basis for negotiated independence for Southern Rhodesia. Unfortunately, it seemed increasingly probable that the Government of the Colony would have recourse to a unilateral declaration, despite the apprehensions of the local industrial and commercial interests about its consequences. Mr. Smith had refused to publish their representations on this subject and had insisted on publishing, instead, a provocative White Paper of his own about the probable reactions of his Government to any economic measures which we might take in response to a unilateral declaration of independence. We must now consider urgently how we should best reply publicly to this White Paper, recognising that, if the Government of Southern Rhodesia implemented its threat to take retaliatory action against Zambia and Malawi, we should be liable to face a very critical situation.
The Foreign Secretary informed the Cabinet that the visit which he had paid to Yugoslavia and Czechoslovakia during the Easter Recess had been a profitable occasion. In several respects misunderstandings between these countries and ourselves had been clarified; in particular, the Yugoslav Government, who were represented on the United Nations Committee of Twenty-Four, had been persuaded to adopt a more favourable view of our own record of decolonisation. The Czechoslovak Government had been mainly concerned to try to persuade us to agree that the Munich Agreement of 1938 should be regarded as legally void, mainly in order that it should not be used as a ground for reviving former German claims on Czechoslovakia. It was not possible to regard a treaty which had been signed as having never entered into effect; but he had done his best to mollify Czechoslovak feelings on the issue. The Czechoslovak Government had also urged us to convene a conference on European security; and here, despite the great complexity of the problems involved, it might be desirable that we should in due course take some initiative.

The Prime Minister said that, during the previous week-end he had held an informal conference at Chequers with the leaders of the Socialist Parties in various European countries. The relations between the United Kingdom and Western Europe had constituted one of the main points of discussion. He had made it clear that there was no question of our seeking to join the European Economic Community (EEC) at the present time, if only because there appeared to be no prospect of our obtaining satisfaction on the various conditions which we had always attached to our accession. On the other hand he had emphasised the increasing need to establish closer links between the Community and the European Free Trade Association (EFTA); and the meeting had considered various possible means by which this objective might be realised. There had been general agreement that these possibilities should be further explored at the next Ministerial meeting of EFTA, which might appropriately be attended by the Prime Ministers of the countries concerned. A meeting of this character should help both to avert the growing threat to the cohesion of EFTA itself and to strengthen the connections between the EEC and EFTA, even though little progress could be expected in this respect until after the forthcoming elections in the Federal German Republic.

The Cabinet—

(1) Took note, with approval, of these statements by the Prime Minister and the Foreign Secretary.

(2) Agreed to consider, at an early meeting, the basis on which the United Kingdom Government might propose, at the forthcoming Ministerial meeting of the European Free Trade Association, additional means of strengthening the links between the Association and the European Economic Community.
Military Aid to India and Pakistan

[Previous Reference: CC(65) 24th Conclusions, Minute 3]

3. The Cabinet considered a memorandum by the Minister of State, Commonwealth Relations Office (C(65) 64) about military aid to India and Pakistan.

The Minister of State recalled that at their meeting on 8th April the Cabinet had approved the supply of 30 Hunter fighters to India, subject to consultation with the United States Government on the method and timing of the communication of this decision to the Government of India. But before deciding whether, in addition, to offer India an Oberon submarine on 10-year credit terms and to make a similar offer to Pakistan, the Cabinet had wished to ascertain whether the United States Government would meet these requirements. This suggestion had been unacceptable to the United States authorities; and we could not afford any further delay in deciding whether to provide the submarines ourselves. If we did not meet the wishes of the Government of India in this respect, it was virtually certain that they would accept the offer of a Soviet submarine and would subsequently acquire Soviet frigates in addition. For security reasons it would then become necessary for us to impose restrictions on the manner and extent of our technical assistance to the Indian Navy; and this would lead in due course to a situation in which Soviet influence in the Indian Ocean would have supplanted our own. For these reasons of long-term strategic policy we should now decide in principle to offer to finance the construction of an Oberon submarine on 10-year credit terms for the Government of India, on the explicit understanding that they would not thereafter obtain submarines or frigates from the Soviet Government. A similar offer, together with the provision of certain radar and electronic equipment to a value of £1 million, should be made to Pakistan. The timing of these offers, however, would require further consideration in view of the current hostilities between India and Pakistan in the Rann of Kutch.

Discussion showed some support for this proposal on the ground that if, as a result of the forthcoming review of our defence commitments, we decided to maintain a military presence East of Suez, this would be both more difficult and more costly if we then faced a Soviet naval presence in the Indian Ocean. It would be preferable not to prejudice the outcome of the defence review in this manner; and it would therefore be expedient, without prejudice to the future level of defence aid, to offer to provide a submarine each to India and Pakistan.

On the other hand, the Indian Government did not need a submarine for the defence of India against China; and an offer to provide one on the conditions proposed would therefore mark the beginning of a new and indefinite commitment to provide defence aid, both to India and Pakistan, on a scale which we could not afford and would thus aggravate the arms race between the two countries. The cost of military aid to oversea countries had steadily increased in recent years and now amounted to some £30 million a year. If we yielded to every request of this kind which we received for fear of being supplanted by Sino-Soviet influence, we should expose ourselves...
to pressure from an increasing number of Asian and African countries; and we should therefore undertake an urgent and comprehensive review of the policies on which we should provide military aid in future. Moreover, it should not necessarily be assumed that a refusal on our part to provide the submarine in question would compel the Indian Government to turn to the Soviet Government for assistance, since this would not only be contrary to the Indian policy of non-alignment but might also put at risk the rest of the United States and United Kingdom aid, both civil and military, on which the Indian Government were so heavily dependent.

The Prime Minister, summing up the discussion, said that the balance of opinion appeared to be opposed to the provision of defence aid to India and Pakistan on the lines proposed in C (65) 64. The manner in which this decision should be communicated to the Governments concerned would require further consideration by the responsible Ministers. Meanwhile, a review of our defence aid policy should be put in hand, and consideration should also be given to the desirability of discussing some of the issues involved in the context of the forthcoming Meeting of Commonwealth Prime Ministers.

The Cabinet—

(1) Agreed that we should not offer to provide a submarine on credit terms either for India or for Pakistan.

(2) Invited the Minister of State, Commonwealth Relations Office, in consultation with the Foreign Secretary and the Secretary of State for Defence, to consider, in the light of their discussion, the manner in which this decision should be conveyed to the Governments of the two countries concerned and to the United States Government.

(3) Took note that the Prime Minister would arrange for further consideration to be given to the principles on which United Kingdom military aid should be provided to third countries.

4. The Cabinet had before them a memorandum by the Minister of Power (C (65) 63) to which was attached a revised draft of the White Paper on Steel Nationalisation.

The Minister of Power said that the draft White Paper had been revised on the lines indicated by the Cabinet in their previous discussion. It had been thought important, however, to include in paragraph 10 certain material which the Cabinet had suggested should be omitted from the previous draft, in order to demonstrate that there was no practicable method of remedying the defects of the present system by strengthening public supervision so long as the industry remained in private ownership. It had been suggested that the reference in the previous draft to exports should be either elaborated or given less prominence; but a passing reference to this important topic would hardly be consistent with the inclusion in the Bill of a provision imposing on the National Steel Corporation a specific duty to promote exports. The passage had therefore been strengthened.
In discussion of the draft White Paper it was pointed out that paragraph 13 (d), dealing with the structure of the industry, was in too general terms to be significant. The reference which had occurred in the corresponding passage in the previous draft to improving the use of manpower had been omitted. But this point ought not to be completely suppressed; and a suitable reference should be inserted at the end of either paragraph 14 or paragraph 15. The reference in paragraph 13 (d) to the fact that technological progress would necessitate the development of larger units should be transferred to paragraph 11. The remainder of paragraph 13 (d) could then be omitted.

In further discussion the Prime Minister said that the arrangements for compensation, which had been provisionally approved by a group of the Ministers principally concerned under his own chairmanship, would be communicated to the Cabinet at their next meeting. Thereafter, in order to reduce the risk of speculation on the Stock Exchange, it was proposed to publish the White Paper after the close of trading on Friday, 30th April. Arrangements would be made for copies to be sent to Members of Parliament by post in order to allow adequate time for them to study the document before it was debated on Thursday, 6th May. As the Government had recognised when they decided to proceed with the nationalisation of steel, this debate would be an occasion of major Parliamentary significance.

The Cabinet—
(1) Approved the draft White Paper appended to C (65) 63, subject to the amendments indicated in their discussion.
(2) Approved the proposed arrangements for the publication of the White Paper and its debate in the House of Commons.

5. The Cabinet considered a memorandum by the Lord Chancellor (C (65) 62) on the Tribunals of Inquiry (Evidence) Act, 1921.

The Lord Chancellor recalled that the Cabinet at their meeting on 11th March had invited him, in consultation with the Ministers principally concerned, to consider means by which the operation of the Tribunals of Inquiry (Evidence) Act might be improved and the extent to which an independent inquiry for this purpose might be expected to be of value. The criticisms levelled at the procedure under the Act were principally concerned with the difficulty and expense to which persons involved in inquiries might be exposed in defending themselves; the harm which might be done to the reputation of innocent persons; and the confusion liable to be created in the public mind by the appearance of the Attorney-General (or, in the case of inquiries in Scotland, the Lord Advocate) as amicus curiae. On the latter point, it had been suggested that it must remain a matter for the Law Officer concerned to decide, in the discharge of his responsibility for safeguarding and representing the public interest,
whether he should appear in a particular case or not. On the wider problem the Ministers whom he had consulted had considered that, if it were accepted that it was necessary to retain a means of investigating matters of urgent public importance by an inquisitorial procedure, some minor improvements in the procedure itself could be devised but that it was unnecessary to seek the assistance of an independent inquiry for this purpose. While the group were divided in their views on the retention of the inquisitorial procedure, they were agreed that its use continued to arouse so much public anxiety that it ought not to be retained without an authoritative inquiry, which could consider whether some other procedure, such, for example, as that employed in the inquiry conducted by Lord Denning, could be equally effective without harming innocent persons. They considered that a small Royal Commission would be the most suitable body to conduct such an inquiry; and they proposed terms of reference which would explicitly require the Commission to consider whether the procedure under the Act of 1921 should be retained or should be replaced by some other procedure. It might be thought desirable that the Royal Commission should be under the chairmanship of a judge; but, in view of the present pressure of judicial work, it would be impossible to make the services of a judge available unless proposals at present under consideration for an increase in the numbers of the judiciary could be accepted.

In discussion there was general agreement that a Royal Commission should be appointed with terms of reference which would enable it to consider alternatives to the procedure under the Tribunals of Inquiry (Evidence) Act. In view of the importance of securing the services of a judge as the chairman of an inquiry into a form of judicial proceeding, there might be advantage in deferring the appointment of the Commission until consideration of the proposed increase in the numbers of the judiciary had been completed.

The Prime Minister, summing up the discussion, said that there was agreement in principle with the proposal that a Royal Commission should be established with the terms of reference proposed in C (65) 62. The necessary action for this purpose, however, should be deferred pending further consideration of the chairmanship of the Commission in the light of the conclusions reached on the proposed increase in the judiciary.

The Cabinet—

(1) Endorsed in principle the proposal to seek the approval of The Queen for the appointment of a Royal Commission on the Tribunals of Inquiry (Evidence) Act, with the terms of reference proposed in C (65) 62.

(2) Took note that the Prime Minister would give further consideration, in consultation with the Ministers concerned, to the selection of the chairman and members of the Royal Commission.

Cabinet Office, S.W.1,
27th April, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 29th April, 1965, at 12 Noon

Present:
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs (in the Chair)
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power

The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. SIR FRANK SOKCHE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P., Minister of Transport

Also present:
The Right Hon. EDWARD SHOFT, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREN
Mr. R. T. ARMSTRONG

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1. The First Secretary of State said that the statistics of advances by the London clearing banks at 21st April, 1965, which would shortly be published, would show an unexpectedly large increase during the previous five weeks. It was difficult to ascertain with any certainty the reasons for this movement; but there was some reason to think that it was attributable mainly to the demands of manufacturing industry rather than personal borrowers whose borrowing had already been restricted during the last few months. If the increase in bank lending were to be announced without any reaction by the Government, this might adversely affect international confidence in sterling. After consultation with the Prime Minister, who was paying an official visit to Rome, the Chancellor of the Exchequer had therefore authorised the Bank of England to announce forthwith that they intended to call upon the London clearing banks to place special deposits with the Bank of England to the value of 1 per cent of gross deposits, 1 per cent by 19th May, and the second 1/2 per cent by 16th June. The Scottish banks were similarly being requested to make special deposits totalling 1/2 per cent of gross deposits, in two instalments of 1/4 per cent. The effect should be to reduce by about £90 million the amount available for bank advances. The banks had already received indications of the Government's views upon the priorities to be observed in their lending; and there should be no need to supplement or modify this guidance. It would be desirable, however, to seek to ensure that this new measure of credit control would not be misinterpreted as being inconsistent with the Government's basic policies. He would therefore arrange, among other things, to reassure representatives of the trade unions, whom he would be addressing on 30th April, that it remained the Government's objective to achieve a controlled and steady rate of expansion and that the call for special deposits was no more than one instrument by which the Government could seek to ensure the regulation of demand which was essential for this purpose.

In discussion The Chancellor of the Exchequer said that the Governor of the Bank of England would be calling the attention of the Chairman of the London clearing banks to the undesirability of an excessive rise in bank lending. For the purposes of economic planning, assumptions had been made about the amount of the increase in bank lending in 1965-66 which would be consistent with the Government's economic objectives; but it was not proposed to prescribe any public limit or advances. The existence of a separate banking system in Scotland made it possible to impose smaller calls for special deposits upon the Scottish banks than upon the English banks; but it would not be possible to discriminate between different areas within England and Wales.

The Cabinet—

Took note, with approval, of the statements by the First Secretary of State and the Chancellor of the Exchequer on the decision to call for special deposits.
2. The Chancellor of the Exchequer described to the Cabinet the provisions on compensation for the nationalisation of iron and steel companies which were to be outlined in the White Paper to be published on Friday, 30th April at 3.30 p.m.

There were five possible bases of compensation as follows, the resultant cost of re-nationalisation being as indicated in each case:

(i) the values on the basis of which the industry had been de-nationalised in 1953 (estimated cost £264 million);

(ii) values at de-nationalisation, adjusted to take account of profits reinvested and other funds accumulated and held since 1953 (estimated cost £620 million);

(iii) current net worth of the interests nationalised (estimated cost £800 million);

(iv) values based upon the capitalisation of earnings over a period (estimated cost £680 million if the period was ten years):

(v) Stock Exchange values.

The cost of compensation on the basis of Stock Exchange values would depend upon the choice of base dates. If compensation was based on average values over the six months before October 1964, the estimated cost would be £470 million; on the basis of average values during the six days before The Queen’s Speech in which the decision to re-nationalise the industry was announced, the estimated cost would be £445 million; on the basis of average values over the three years before October 1964 the estimated cost would be £597 million; on the basis of average values over the five years before October 1964 the estimated cost would be £533 million. These estimates comprised the companies to be nationalised whose shares were quoted on the Stock Exchange. The compensation values for the unquoted companies to be nationalised would have to be arranged by special agreement; they would add £70-£120 million to each of the above estimates.

The most appropriate basis for compensation appeared to be provided by Stock Exchange values, which reflected the market’s estimate of commercial and political prospects. In adopting this basis the Government would be following the example of their predecessors when the iron and steel industry was first nationalised. If so, compensation should be based on average values over the five years from October 1959 to October 1964, since this period would cover not only fluctuations in the trade cycle and their effects upon the industry but also movements of public opinion about the prospects of re-nationalisation. To take a shorter period—for example, the six days before The Queen’s Speech—would be less costly; but it could be argued that the values of shares during that period did not represent a fair assessment of the real value of the companies, because the views of the Stock Exchange during that period had been unduly influenced by fears of re-nationalisation. On the hypothesis of a five year period, however, it would be reasonable, in addition, to allow compensation to be based upon average values over the six months from May to October, 1964, in cases where this
would provide a higher valuation. This alternative would in practice apply only to Messrs. Stewart and Lloyd, the average value of whose shares over the five year period would not fairly reflect current asset values by reason of changes in the company during the period.

Holders of iron and steel shares would be offered compensation in a fixed interest Government stock. The exchange of securities would be treated as an involuntary realisation for purposes of the capital gains tax; and no tax charge or loss allowance would arise until the new stock was sold. The liability to tax thereafter should restrain selling of the new stock to some extent.

In discussion there was general agreement that the proposed terms of compensation held a reasonable balance between the interest of the Exchequer and the need to ensure that the basis of compensation was demonstrably fair. Since the publication of these proposals would inevitably lead to considerable movements of Stock Exchange prices, it was essential that their secrecy should be completely preserved until the White Paper was published.

The Cabinet—

Approved the inclusion in the White Paper on Iron and Steel Nationalisation, to be published on Friday, 30th April, of the provisions for compensation proposed by the Chancellor of the Exchequer.

_Cabinet Office, S.W.1._

_30th April, 1965._
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 6th May, 1965, at 10.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs (Items 4-6)
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power (Items 1-5)
The Right Hon. The Earl of Avon, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Callaghan, M.P., Lord President of the Council
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Wales
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science (Items 1-5)
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food (Items 1-5)
The Right Hon. Tom Fraser, M.P., Minister of Transport

The following were also present:
The Right Hon. Margaret Heselden, M.P., Minister of Pensions and National Insurance (Item 6)
The Right Hon. Anthony Wedgwood Benn, M.P., Postmaster-General (Item 3)

The Right Hon. Roy Jenkins, M.P., Minister of Aviation (Item 6)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Miss J. J. Nunn

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Foreign Secretary said that for many years the Dominican Republic had been under the dictatorship of General Trujillo. On his assassination in May, 1961, general elections had brought to power the Government of Mr. Bosch, whose policies, although radical rather than Communist, had become increasingly subject to Communist influence. In 1963 Mr. Bosch's Government had been ejected by a military group which had now itself been overthrown, during the recent uprising, by elements which supported Mr. Bosch. Their first attempts had been largely ineffective; but the leadership of the rising had recently passed to certain individuals who had clearly had expert training in armed rebellion and it now seemed likely that they would be successful. Small arms had been distributed widely throughout the capital, where great disorder had prevailed for several days and foreign residents had been in serious danger. There was little doubt that the action of the United States Government, in despatching a military force to the island, had contributed to the saving of human life. It could perhaps be argued, however, that the United States intervention had been on a larger scale than was required for this purpose; and it was fortunate, therefore, that the United States Government had now invoked the assistance of the Organisation of American States (OAS) in dealing with the situation. The fighting had been brought to a halt; and it seemed possible that the United States troops might gradually be replaced by an OAS peace-keeping force until a new Government was installed.

The situation had been somewhat complicated by the recent statement by the President of the United States, President Johnson, that the United States Government intended to prevent the establishment of any Communist Government in the Western hemisphere. But, although we might not be able to endorse this statement in all its implications, we could defend the United States intervention in the Dominican Republic as having stabilised a critical situation and provided the circumstances in which the OAS could seek to promote a political settlement of the dispute.

The Prime Minister said that the United Kingdom High Commissioners in India and Pakistan had succeeded in obtaining the agreement of the two Governments concerned to a cessation of fighting in the Rann of Kutch; and he hoped that this might be succeeded by a formal cease-fire.

The Prime Minister said that the current debate on Southern Rhodesia in the United Nations Security Council might well continue until after the Rhodesian elections on 7th May. It appeared that it would not be necessary for us to veto the draft Resolution which had been tabled during the debate and that on its merits we could properly abstain. We must recognise, however, that our abstention
could be misrepresented as implying that we tacitly accepted the competence of the United Nations to discuss the problem of Southern Rhodesia. This was contrary to the attitude adopted by the previous Administration and might be regarded by the Government of Southern Rhodesia as constituting an act of provocation which would justify them in making a unilateral declaration of independence.

The Commonwealth Secretary said that, during his recent visit to Australia and New Zealand, he had attended meetings of the Cabinets in both countries and had been asked to convey their greetings to the United Kingdom Cabinet.

The Cabinet—

Took note of these statements.

3. The Cabinet considered a memorandum by the Lord President (C (65) 69) on the deduction of trade union subscriptions from pay.

The Lord President recalled that in their previous discussion the Cabinet had reached no conclusion on a request from the Staff Side of the National Whitley Council that trade union subscriptions should be deducted from the pay of the members of any Civil Service staff association which sought this facility. He had subsequently considered the issues more fully in consultation with the Ministers concerned. They had concluded that the original proposal, which contemplated deductions at differential rates according to whether the political levy was paid or not, was unacceptable, since it might enable the Government to deduce trends in political opinion among members of the Civil Service from the fluctuations in the numbers who paid the political levy. An alternative proposal that subscriptions should be deducted at a single rate, including the levy, leaving members who contracted out to claim a subsequent refund from the union, was objectionable on legal and political grounds; and the unions had shown themselves unwilling to accept the deduction of the industrial contribution only. The Union of Post Office Workers and the Post Office Engineering Union had suggested, however, that deductions should be made at a rate which included the political levy and that unions should pay to members who contracted out, in advance at the beginning of the financial year, the amount which would be deducted in respect of the levy during the year. This arrangement was not open to the objections which had been advanced against the previous proposals; and, while it might not entirely dispose of the criticism that the Government were facilitating a deduction which benefited only their own Party or suffice to prevent the introduction of a Private Member's Bill to prohibit the deduction of trade union subscriptions from the pay of civil servants, it appeared to be preferable, on balance, to accept these risks than to refuse to the Civil Service unions a facility which was increasingly being provided by private employers and the nationalised industries. If the facility were given to the Civil Service unions, however, it could

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not be withheld from employees of the National Health Service, who were likely to ask for it. It would be essential in negotiating the administrative details with the Staff Side of the National Whitley Council to ensure that deductions were wholly voluntary and were made only on the individual written request of the individuals concerned.

In discussion it was suggested that the arrangements negotiated with the National Staff Side should ensure that no obstacle was put in the way of a member of a union who might wish to withdraw his request for the deduction of union subscriptions from his pay. Members who contracted out would be adequately safeguarded against failure or delay in paying the amounts which they would be entitled to receive in respect of the political levy by the union’s legal obligation to relieve them of the levy and by their right of recourse to the Registrar of Friendly Societies.

The Cabinet—

Agreed that the Government should, if so requested, accept a scheme for the deduction of trade union subscriptions from pay on the lines, and subject to the safeguards, indicated in C (65) 69.

4. The Cabinet had before them a memorandum by the Chancellor of the Duchy of Lancaster (C (65) 70) about immunities and privileges for the Commonwealth Secretariat.

The Chancellor of the Duchy recalled that at their previous meeting the Cabinet had felt unable to agree on the scale of diplomatic privileges to be accorded to the senior officers of the Commonwealth Secretariat, other than the “High Officers” who would enjoy the full diplomatic range of immunities and privileges. The Cabinet had invited the Home Affairs Committee to give further consideration to the possibility of proposing for the senior officers of the Secretariat some scale of privileges which would be more modest than the full diplomatic scale but more generous than the scale normally accorded to the generality of international organisations situated in London.

The Home Affairs Committee had been unable to reach agreement on this issue. They had recognised the force of the arguments against conceding full diplomatic status, to the officers in question, as follows:

(i) Such status was required to protect members of a diplomatic mission of one sovereign country in the territory of another and to enable them to discharge their functions without hindrance from the authorities of the country in which they served.
The Commonwealth Secretariat, however, was not a diplomatic mission. It was an international organisation, whose members would not require this status for the efficient discharge of their functions.

If the senior staff of the Secretariat were granted a more generous scale of immunities and privileges than was strictly necessary in functional terms, this would be liable to expose us to pressure for the extension of a similar concession to other international organisations.

There would be intensified public and Parliamentary criticism if we acquiesced in a further increase in the number of overseas officers and their families who were enabled to commit offences in the United Kingdom with impunity.

On the other hand the Committee had appreciated that it could be urged in favour of conceding full diplomatic status that:

- We ought not to be thought by the other members of the Commonwealth to be reluctant to make a concession which they regarded as essential to the success of the Secretariat.
- Individuals of the high quality required, who would also be qualified for senior posts on the staff of their countries' High Commissions in London, might be unwilling to accept posts in the Secretariat if these were of lower status and entailed fewer advantages.
- As the senior organisation of the Commonwealth, the Secretariat could reasonably be regarded as unique; and, even if this view proved over-optimistic, the successful inauguration of the Secretariat was of sufficient importance to outweigh the possible embarrassment of creating a precedent.

Unless the Cabinet were prepared to reconsider the compromise which they had previously rejected (namely that the senior officers of the Secretariat should be allowed reasonable quantities of duty-free liquor and tobacco and a refund of petrol duty but should not be granted personal immunity) it would be necessary to decide which of these conflicting considerations should prevail. His own view was that the balance of advantage lay in granting full diplomatic immunities and privileges to all senior officers of the Secretariat.

The Commonwealth Secretary said that there was strong pressure from other Commonwealth Governments for the grant of full diplomatic status to the senior members of the Secretariat; and there was no doubt that, if the Secretariat were to be sited in any other capital, this status would be conceded without question by the Government of the country concerned. Moreover, even if we decided to refuse it as a matter of principle, it would be open to other Commonwealth Governments to circumvent us by appointing the officers in question to the staff of their High Commissions in London and subsequently seconding them to the Secretariat.

In discussion the Cabinet were informed that the Minister of Overseas Development, who was absent through illness, had asked
that the discussion should not prejudice the proposal currently under discussion for the grant of certain immunities and privileges to the senior staff of the Commonwealth Education Liaison Unit (CELU).

Some members of the Cabinet took the view that there should be no extension of immunities and privileges to the senior members of the Secretariat, either on the full diplomatic scale or in the modified form proposed in their earlier discussion. The offences committed by diplomatic representatives in London in the previous year, in respect of which they could claim immunity, had been on a scale which might well evoke strong public criticism; and this would be exacerbated by any extension of diplomatic privilege. Moreover, there was considerable reason to believe that the customs facilities accorded to diplomatic representatives were not infrequently abused. Finally, the extension of privileges in cases where they were not required for the efficient discharge of the duties and functions involved might undermine our attempt to limit their scope in relation to international organisations in general. The balance of opinion, however, was in favour of the concession of full diplomatic status, as proposed by the Commonwealth Secretary, on the ground that the Commonwealth Secretariat could reasonably be regarded as unique and that it was important to the Government's Commonwealth policy that it should be seen to be so. The subsequent consideration of the privileges to be accorded to the CELU must proceed on this basis.

The Cabinet—

Approved the extension of full diplomatic immunities and privileges to the senior officers of the Commonwealth Secretariat.

5. The Cabinet considered a memorandum by the Home Secretary (C (65) 68) on the law relating to homosexual offences.

The Home Secretary said that Lord Arran would move in the House of Lords on 12th May a Motion "to call attention to the recommendations of the Wolfenden Committee on Homosexual Offences; and to move for Papers". He was expected to address himself in particular to the recommendation that homosexual behaviour between consenting adults in private should cease to be a criminal offence; and he was likely to receive considerable support. But strong opinions were also held in the opposite sense; and the subject was not one on which the Government could contemplate introducing legislation in the foreseeable future. It was proposed, therefore, that the Government spokesman in the debate should refrain from advising either for or against the implementation of the Wolfenden Committee's major recommendations but should indicate that the proper course for those who wished to promote the
(ii) The Commonwealth Secretariat, however, was not a diplomatic mission. It was an international organisation, whose members would not require this status for the efficient discharge of their functions.

(iii) If the senior staff of the Secretariat were granted a more generous scale of immunities and privileges than was strictly necessary in functional terms, this would be liable to expose us to pressure for the extension of a similar concession to other international organisations.

(iv) There would be intensified public and Parliamentary criticism if we acquiesced in a further increase in the number of oversea officers and their families who were enabled to commit offences in the United Kingdom with impunity.

On the other hand the Committee had appreciated that it could be urged in favour of conceding full diplomatic status that:

(v) We ought not to be thought by the other members of the Commonwealth to be reluctant to make a concession which they regarded as essential to the success of the Secretariat.

(vi) Individuals of the high quality required, who would also be qualified for senior posts on the staff of their countries' High Commissions in London, might be unwilling to accept posts in the Secretariat if these were of lower status and entailed fewer advantages.

(vii) As the senior organisation of the Commonwealth, the Secretariat could reasonably be regarded as unique; and, even if this view proved over-optimistic, the successful inauguration of the Secretariat was of sufficient importance to outweigh the possible embarrassment of creating a precedent.

Unless the Cabinet were prepared to reconsider the compromise which they had previously rejected (namely that the senior officers of the Secretariat should be allowed reasonable quantities of duty-free liquor and tobacco and a refund of petrol duty but should not be granted personal immunity) it would be necessary to decide which of these conflicting considerations should prevail. His own view was that the balance of advantage lay in granting full diplomatic immunities and privileges to all senior officers of the Secretariat.

The Commonwealth Secretary said that there was strong pressure from other Commonwealth Governments for the grant of full diplomatic status to the senior members of the Secretariat; and there was no doubt that, if the Secretariat were to be sited in any other capital, this status would be conceded without question by the Government of the country concerned. Moreover, even if we decided to refuse it as a matter of principle, it would be open to other Commonwealth Governments to circumvent us by appointing the officers in question to the staff of their High Commissions in London and subsequently seconding them to the Secretariat.

In discussion the Cabinet were informed that the Minister of Overseas Development, who was absent through illness, had asked
that the discussion should not prejudice the proposal currently under
discussion for the grant of certain immunities and privileges to the
senior staff of the Commonwealth Education Liaison Unit (CELU).

Some members of the Cabinet took the view that there should
be no extension of immunities and privileges to the senior members
of the Secretariat, either on the full diplomatic scale or in the
modified form proposed in their earlier discussion. The offences
committed by diplomatic representatives in London in the previous
year, in respect of which they could claim immunity, had been on
a scale which might well evoke strong public criticism; and this
would be exacerbated by any extension of diplomatic privilege.
Moreover, there was considerable reason to believe that the customs
facilities accorded to diplomatic representatives were not infrequently
abused. Finally, the extension of privileges in cases where they were
not required for the efficient discharge of the duties and functions
involved might undermine our attempt to limit their scope in relation
to international organisations in general. The balance of opinion,
however, was in favour of the concession of full diplomatic status,
as proposed by the Commonwealth Secretary, on the ground that the
Commonwealth Secretariat could reasonably be regarded as unique
and that it was important to the Government’s Commonwealth policy
that it should be seen to be so. The subsequent consideration of the
privileges to be accorded to the CELU must proceed on this basis.

The Cabinet—

Approved the extension of full diplomatic immunities and
privileges to the senior officers of the Commonwealth
Secretariat.

5. The Cabinet considered a memorandum by the Home
Secretary (C (65) 68) on the law relating to homosexual offences.

The Home Secretary said that Lord Arran would move in the
House of Lords on 12th May a Motion “to call attention to the
recommendations of the Wolfenden Committee on Homosexual
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himself in particular to the recommendation that homosexual
behaviour between consenting adults in private should cease to be
a criminal offence; and he was likely to receive considerable support.
But strong opinions were also held in the opposite sense; and the
subject was not one on which the Government could contemplate
introducing legislation in the foreseeable future. It was proposed,
therefore, that the Government spokesman in the debate should
refrain from advising either for or against the implementation of the
Wolfenden Committee’s major recommendations but should indicate
that the proper course for those who wished to promote the
amendment of the law was to introduce a Private Member's Bill. He might then indicate that the Government would not obstruct such a Bill and would accept a decision of Parliament on a free vote; or, alternatively, he might undertake that, if there appeared to be a general wish that a Private Member's Bill should be discussed and this could not be done unless the Government provided time, the Government would consider doing so, although not in the present Session. The Home Affairs Committee had preferred the latter course. If, as seemed likely, Lord Arran pressed his Motion to a division, it was suggested that Government supporters, including Ministers, should vote according to their personal judgment.

In discussion it was suggested that, in view of the very considerable Parliamentary difficulties which normally confronted a controversial Private Member's Bill if it received no assistance from the Government, it might be desirable that the Government should provide time to enable Parliament to reach a conclusion on the question of homosexual offences if it was clear that both Houses of Parliament wished to do so. This would follow the precedents of Sir (then Mr.) A. P. Herbert's Matrimonial Causes Act and the current Murder (Abolition of Death Penalty) Bill. On the other hand it was not clear, as it was in the case of the problem of capital punishment, that a majority of either the members of the House of Commons as a whole or the Government's own supporters were in favour of amending the law on homosexual offences. And, if there was, in fact, a substantial demand for legislation, it should be possible for the promoters of a Bill to muster sufficient support to secure that it was debated on a Friday. In the present political situation, however, no undertaking should be given to provide time for a Private Member's Bill, although this need not preclude reconsideration of the matter in the light of any later developments in public opinion. Nor should any undertaking be given not to obstruct the passage of a Private Member's Bill, since it would be impolitic to attribute any bias to the Government in this context.

The Prime Minister, summing up the discussion, said that the Government spokesman in the debate in the House of Lords should maintain a strictly neutral attitude, indicating merely that the subject was one on which changes in the law would normally be sought by means of a Private Member's Bill. If he were asked whether the Government would provide facilities for such a Bill, he should make it clear that it would have to follow the usual course without Government assistance. Ministers should feel free to vote on the Motion according to their personal judgment; but the Government spokesman should make it clear that they were voting as individuals, not as representatives of the Government.

The Cabinet—

Invited the Home Secretary to arrange for the debate on Lord Arran's Motion on the law relating to homosexual offences to be conducted in the manner indicated by the Prime Minister in his summing up.

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6. The Cabinet had before them memoranda by the First Secretary of State (C (65) 65), the Minister of Technology (C (65) 66) and the Minister of Pensions and National Insurance (C (65) 67) about the procurement of computers for Government Departments.

The First Secretary of State said that it had recently become clear that United Kingdom computers, particularly the larger machines, were less competitive with foreign computers than had been generally assumed. It had therefore been suggested that, in order to give the necessary support and encouragement to the domestic industry, two outstanding Government orders for large computers should be awarded to United Kingdom firms, despite the fact that in one case (a computer required by the Scottish Departments) a United States subsidiary company, International Business Machines (UK), Ltd. (IBM (UK)) had submitted a lower tender than the main United Kingdom contender, International Computers and Tabulators, Ltd. (ICT), and in the other case (a computer required by the Royal Aircraft Establishment, Farnborough (RAE) it appeared likely, although tenders had not yet been invited, that, here too, IBM (UK) would submit the lowest quotation. In the case of the Scottish computer the IBM product was not only considerably cheaper, perhaps by as much as 25 per cent, than the ICT counterpart but was also markedly superior in terms of capacity and operation. On these grounds there was a clear case for accepting the IBM tender; and any suggestion that a decision to this effect would discriminate unfairly in favour of a United States industry could be rebutted by the argument that the IBM subsidiary in question had been established in a Scottish development area with the encouragement of the Government and was making a valuable contribution to local employment. It would be desirable, however, to try to offset any impression that the Government were unconcerned about the future of the United Kingdom computer industry; and a further attempt should therefore be made to establish whether the requirement at the RAE could properly be met by a United Kingdom computer. For this purpose it would probably be necessary either to limit the field of permitted tenders to United Kingdom companies or to allow open tender and to decide in the light of the result whether any of the quotations by United Kingdom firms could be regarded, perhaps with the benefit of some margin of price differential, as sufficiently competitive to merit the award of the order.

The Minister of Technology said that he was not concerned to seek deliberately to exclude United States interests from our computer procurement or to establish an undue measure of protection for the United Kingdom industry. On the other hand, the Government had a responsibility to use their own requirements, which accounted for no more than about 10 per cent of the market, to encourage the United Kingdom industry; and it would be consistent with this policy if the needs of Government Departments for computers were met by the purchase of United Kingdom machines unless no United Kingdom machine could satisfy the
requirement or the purchase of a United Kingdom machine would involve a serious delay (say, two years) or there was a gross disparity (say, 25 per cent or more) between the tender prices for United Kingdom and foreign machines respectively. The enforcement of these stipulations should secure an interval in which the measures now being taken by his Department to encourage the United Kingdom computer industry to become more competitive would have time to yield results. It was significant that since his memorandum had been circulated another United Kingdom firm, English Electric, Ltd., had submitted a tender for the Scottish computer at a price which, although still in excess of the IBM price, was significantly lower than the price quoted by ICT. They had undoubtedly been assisted in doing so by the fact that they had recently received orders for six computers for the Post Office; and this illustrated the advantages to be gained from the rationalisation of ordering and production which he would hope progressively to promote if the United Kingdom industry were given a reasonable measure of protection for a relatively short time.

Moreover, the comparison between the IBM and ICT machines in the case of the Scottish computer was by no means as unfavourable to the latter as had been suggested, whether in terms of cost or capacity or operation; and the fact that the IBM company were prepared to provide extensive programming support for their machine was evidence not of its technical superiority but of the company’s determination to establish a foothold in the United Kingdom market for this particular model of computer and to make us even more dependent than at present on imports of their machines, which were already at a wholly excessive level. In these circumstances and having regard to the new tender recently submitted by English Electric, Ltd., it would not be unreasonable that the contract for the Scottish computer should be placed with a United Kingdom firm and that in the case of the computer for the RAE the invitations to tender should be confined to the three United Kingdom companies, ICT, English Electric and Elliott Automation.

The Minister of Pensions and National Insurance emphasised the importance of avoiding any delay in the payment of social security benefits or any breakdown of the system as a result of inadequacy of equipment. Moreover, delay would be expensive in terms of eventual savings foregone, which, in the case of certain computers to be installed in the Regions for the payment of National Insurance short-term benefits, could be well over £1 million a year if United Kingdom machines were installed despite the cost advantage of United States machines. For these reasons, any criteria governing future purchases of computers by the Government must allow sufficient latitude to enable her Department to adjust its procurement programme in the light of the overriding need to be able to discharge its obligations promptly and efficiently.

In discussion the following main points were made:

(a) The Scottish computer had been under consideration since 1962. Tenders had been invited in March, 1964, and had been submitted during the summer of that year. Since the ICT tender
showed so marked a cost disadvantage and the more recent English Electric tender would involve an unacceptable and expensive delay in bringing the computer into operation, it would be virtually impossible at this stage to reject the IBM tender without incurring a very damaging charge of retrospective discrimination which it would be the more difficult to refute in that, in addition to its other merits, the IBM machine provided a greater margin of spare capacity for future expansion of work. The Government would be sufficiently protected against any counter-accusation that they were giving preference to a foreign product by the fact that an ICT computer had recently been adopted by the Inland Revenue establishment at East Kilbride.

(b) In any discussion of the prospects of the United Kingdom computer industry it was important to distinguish between the industry based in the United Kingdom and the industry owned by United Kingdom interests. In the former sense the computer industry comprised such foreign subsidiaries as IBM, whose contribution to employment, particularly in the development areas, was of considerable value and should not be discouraged. We did not seek to protect other industries from foreign competition in this sense; and it would be invidious and unwise to single out the computer industry in this respect.

(c) Whatever decisions were reached in relation to the two cases under consideration, it was essential that measures should be taken to reorganise the computer industry on a more efficient and competitive basis. Centralised ordering to meet Government requirements would be valuable in assisting the industry to plan ahead and to achieve the economies of scale which systematic production should yield. Substantial Government orders for computers, numbering 50 or more, were under active consideration; and steps should be taken to ensure that these, to the extent to which they were approved, were put forward as a definite programme for purposes of negotiations with the industry.

(d) In any announcement of the criteria which the Government proposed to adopt in procuring computers for their own use it would be preferable to avoid any reference to a specific period as the measure of excessive delay or a stated percentage which would render a price disparity unacceptable. It would be wiser to indicate in general terms that preference would be given to the purchase of United Kingdom computers unless this would involve an unreasonable delay or a price which would render the project uneconomic.

The Prime Minister, summing up the discussion, said that the Government were politically committed to support the technological industries, particularly the computer industry, which faced intense United States competition and was handicapped by past neglect. The most effective step which the Government could take for this purpose would be to promote a systematic programme of centralised purchasing to meet Departmental needs, based on advice from the computer unit of the Ministry of Technology which should be consulted by all Departments at a very early stage in the formulation.
of their requirements. Further consideration should also be given to the desirability of discussing with the United States computer interests in this country possible action to curtail excessive imports of computers. As regards the two cases immediately at issue the Scottish computer had now reached an advanced stage of negotiation; and the possibility of rejecting the IBM tender appeared to be small. Nevertheless, it would be desirable, before reaching a final decision, to allow a further brief interval to elapse in which only the United Kingdom companies concerned might be given a second opportunity to tender in relation to a specified target price, which should be fixed at a realistic level. If a United Kingdom company proved able to tender on the basis of this price and to satisfy our other requirements as regards date of operation, servicing facilities, etc., it might be awarded the contract. Otherwise, it would be necessary to accept the IBM tender. In the case of the computer for the RAE the procedure should be based on open tender; but it would be reasonable that a certain margin of price differential in favour of a United Kingdom company should be prescribed in the invitation to tender. If it was suggested that these arrangements constituted deliberate discrimination in favour of United Kingdom owned companies, we must defend our action on the grounds that, in the case of our computer industry as in the case of our agriculture, we had decided, as a matter of deliberate policy, to provide a measure of support and encouragement to the United Kingdom producer. At the same time we must be prepared to make, on an appropriate occasion, a public statement of our policy in relation to the computer industry; and this might be on the lines proposed in C (65) 66, as modified in the light of discussion.

The Cabinet—

(1) Invited the First Secretary of State, in consultation with the Secretary of State for Scotland, the Minister of Technology and other Ministers concerned, to arrange for the procurement of the computers for the Scottish Departments and the Royal Aircraft Establishment, Farnborough, to proceed on the lines indicated by the Prime Minister in his summing up of their discussion.

(2) Invited the President of the Board of Trade, in consultation with the Minister of Technology, to give further consideration to the possibility of taking action to reduce the import of computers.

(3) Invited the Minister of Technology, in consultation with the Ministers concerned, to institute arrangements for centralised purchasing of all computers to meet Government requirements.

(4) Invited the Minister of Technology to arrange for further consideration to be given, in the light of their discussion, to the terms in which the Government’s policy in relation to the computer industry might be publicly announced on an appropriate occasion.

Cabinet Office, S.W.1.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 11th May, 1965, at 11.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary or State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. Frederick Willey, M.P., Minister of Land and Natural Resources
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

No Secretaries present

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Legislative Programme
The Cabinet considered the 1964-65 legislative programme. They agreed to resume their discussion at a subsequent meeting.

Cabinet Office, S.W.1,
11th May, 1965.
SECRET

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Printed for the Cabinet. May 1965

CC (65) Copy No. 36

30th Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 13th May, 1965, at 10.30 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs (Items 1-5)
The Right Hon. Sir FRANK SOKICKE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government (Items 1-3)
The Right Hon. R. J. GUNTER, M.P., Minister of Labour (Items 1-5)
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P., Minister of Transport
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade (Items 1-5)
The Right Hon. ANTHONY CROSSLAND, M.P., Secretary of State for Education and Science (Items 1-4)
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science (Items 1-4)
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development
The following were also present:
The Right Hon. FREDERICK WILLEY, M.P., Minister of Land and Natural Resources (Item 2)
The Right Hon. SIR ELWYN JONES, Q.C., M.P., Attorney-General (Item 6)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
SIR BURKE TREND
Mr. P. ROGERS
Mr. A. A. JARRATT

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Cabinet resumed their discussion of the 1964-65 legislative programme. They discussed the various factors which should determine the length of the Session and the further legislation to be introduced, including the political importance of ensuring that the Bills to nationalise the iron and steel industry and to establish a Land Commission should be introduced and debated more or less concurrently and should be accompanied, if possible, by a Bill to provide a more satisfactory basis for the financing of housebuilding. Other important measures, including those relating to new social security arrangements, leasehold reform and the Parliamentary Commissioner, would also need to be taken into consideration.

The Cabinet decided that in these circumstances the most advantageous course might be to introduce, during July, the Bills to nationalise the iron and steel industry and to establish a Land Commission, together with such other important legislation, particularly as regards the financing of housebuilding, as could be prepared in time. At that point it would be necessary to decide how far it would be expedient to indicate publicly whether the Government intended to prolong the present Session sufficiently to ensure the enactment of these Bills or whether the Session should be of normal length and the Bills, having lapsed on its prorogation, should be reintroduced at the beginning of the following Session. Without prejudice to this decision the planning of the legislative programme for the next Session should be based on the hypothesis that these Bills would probably be the first measures to be introduced at its outset.

The Cabinet—
Invited the Ministers concerned to be guided by the sense of their discussion.

3. The Foreign Secretary said that the discussions at the Ministerial Council of the North Atlantic Treaty Organisation (NATO), which was currently meeting in London, were proving reasonably satisfactory. It was perhaps significant that in the debate on South-East Asia none of the member countries, including France, had sought to argue that the United States Government should withdraw their support from South Vietnam; but they had all been concerned to express, with varying degrees of emphasis, their conviction that the United States Government should seek to resolve the conflict by negotiation and should keep the other members of NATO more closely informed of their policies.
The Foreign Secretary informed the Cabinet that no régime commanding the substantial support of the Dominican people had yet emerged from the civil war in the Dominican Republic and that there was therefore no question, as yet, of our having to decide whether we would be prepared to extend recognition to a new Government of the country. Meanwhile, substantial United States forces remained in the country. But arrangements were under discussion whereby they would be replaced by a peace-keeping force recruited from the members of the Organisation of American States; and this initiative, if successful, should contribute to the establishment of a new and constitutional Government.

The Soviet Union had tabled, in the Security Council of the United Nations, a resolution condemning the United States intervention in unacceptable terms. An alternative resolution, tabled by the Government of Uruguay, was less objectionable; and, provided that it could be amended in certain respects, we might find it difficult to withhold our endorsement. On the other hand the United States Government might still regard the resolution as unacceptable and decide to abstain when it was brought to the vote; and in that event we should face the unwelcome prospect that, in a debate in the Security Council, we might have to adopt a formal attitude at variance with that adopted by the United States Government. Hitherto, this had happened very rarely; and it could be damaging to the unity of the North Atlantic Alliance. It would be necessary, therefore, to give very careful consideration to our final decision on this issue.

In discussion it was suggested that we might have avoided our present embarrassment to some extent if we had recognised from the outset that the United States intervention in the Dominican Republic had been dictated not merely by the humanitarian motive of preventing the loss of lives but also by the political motive of frustrating the establishment of a Communist régime in the Western hemisphere. By paying insufficient regard to this distinction we had perhaps imposed an unnecessary strain on those elements of public opinion in this country which, while supporting the North Atlantic Alliance in principle, were becoming increasingly doubtful about United States policy in certain respects and had only acquiesced reluctantly in the Government's endorsement of that policy in relation to South Viet-Nam. On the other hand we had made it clear throughout that, while we endorsed the United States intervention in the Dominican Republic in so far as it had undoubtedly contributed to the preservation of human life, we reserved our position on the more delicate question whether that intervention, in its political aspects, was wholly compatible with the principles of the Charter of the United Nations. We should adhere to this attitude in the further debates in the Security Council. Even so, we had frankly to recognise that the United States Government could not be expected to remain inactive while the Dominican Republic lapsed into chaos and that we ourselves had benefited to some extent from the United States action, particularly as regards the United Kingdom subjects whose lives had thereby been saved.
The Cabinet—
Took note of these statements.

4. The Cabinet considered a memorandum by the President of the Board of Trade (C (65) 71) on the arrangements to be made for restraining imports of cotton textiles after the end of 1965.

The President of the Board of Trade said that most of the present arrangements for restraining imports of low-cost cotton textiles would expire at the end of 1965 and it was therefore necessary to establish the main principles of our future policy in order that discussions might be started with the developing countries which exported cotton textiles to the United Kingdom, particularly India, Pakistan and Hong Kong. It was necessary to devise a scheme which would provide our domestic cotton textile industry with the further period of stability which it required in order to complete the current process of reorganisation, and would at the same time ensure to the developing countries a reasonable prospect of continuing outlets for their cotton textile exports to this country. We already imported a greater proportion of our total consumption of cotton textiles than other major industrialised countries; and a reasonable case could be made for restraining the future increase in our imports to an annual rate of 1½ per cent, which was approximately the likely rate of increase in domestic consumption as a whole. If such restraint could be maintained for a period of five years, it should allow some increase in the domestic industry’s sales at home, while affording it sufficient time in which to complete its reorganisation and re-equipment. There would inevitably be some reduction in employment in the industry during this period; but alternative employment should be readily available.

These objectives could best be achieved by setting a total limit on cotton textile imports from developing countries in the form of a global quota. This might comprise some measure of individual country quotas, particularly if the principle of limitation would then be more acceptable to our overseas suppliers and the pressure on prices in the home market would be mitigated. Consideration had been given to the possibility of imposing tariffs on cotton textile imports from other Commonwealth countries. It seemed unlikely, however, that tariffs could secure a sufficiently predictable level of imports, as was essential while our own industry was being reorganised; and they would also be contrary to our declared commercial policy in relation both to developing countries in general and to Commonwealth trade in particular. A proposal of this kind would therefore be liable to be particularly embarrassing if it were made just before the forthcoming Meeting of Commonwealth Prime Ministers. This did not imply, however, that we might not consider the possibility of introducing tariffs as a means of restraining cotton textile imports in the longer term, when our own industry had achieved greater stability; but any proposal to this effect would also
have to be examined in the light of the import policies of other countries, notably the United States and the European Economic Community (EEC).

The negotiations required to give effect to these proposals would be difficult and protracted; and, whatever course was adopted was likely to evoke considerable protest both from our overseas suppliers and from the domestic industry. But, by claiming credit for already giving far greater access than any other major industrialised country to the cotton textile exports of developing countries, we should be able to persuade them to accept limitation by global, and possibly country, quotas, particularly if, at the same time, we joined with them in pressing the United States and the EEC to adopt a more generous policy in this respect.

In discussion there was general support for these proposals. Considerable progress had already been made in recent years in reorganising the United Kingdom cotton textile industry; in particular, Courtaulds and Imperial Chemical Industries, Ltd., were rapidly expanding their interests in the industry and there was now a prospect of a radical improvement in its efficiency during the next few years. It was essential, therefore, that these developments should not be inhibited by a continuing rapid rise in imports. It was also important, however, that the interests of the developing countries, particularly India, should be reasonably protected; and this might best be secured by the establishment of individual country quotas within the total limit on imports.

In further discussion it was generally agreed that further consideration should be given to the desirability of providing continuing protection to our cotton textile industry by means of a countervailing levy and to the additional possibility of establishing a Cotton Commission which would deal in imported goods or exercise control over their prices. Since the establishment of such a Commission would be strongly opposed by the exporting countries, who would regard it as merely a means of collecting a variable levy, an indication that the Government had not dismissed it as a possible method of import restriction might induce them to adopt a more reasonable attitude during the forthcoming negotiations on quotas.

The Prime Minister, summing up the discussion, said that there was general agreement that negotiations should be started with the developing countries with a view to securing on a voluntary basis a limitation of their exports of cotton textiles to this country by means of a global quota, which might incorporate some measure of individual country quotas in order to safeguard the interests of certain Commonwealth countries, particularly India and Pakistan. The total limit should be allowed to increase at an annual rate of 1\% per cent; and the arrangements should be negotiated, if possible, for a period of five years. Further consideration should also be given to the possibility of introducing a countervailing levy and establishing a Cotton Commission with a view to deciding, when the negotiations on the quotas were completed, whether either of these courses or a combination of both should be adopted as part
of our policy in relation to cotton imports in the longer term. Meanwhile, there might be some advantage in letting it be known, during the negotiations on the quotas, that the Government had not ruled out the possibility of establishing a Cotton Commission.

The Cabinet—

Approved the proposals contained in C (65) 71, subject to the points made in their discussion.

5. The Cabinet had before them memoranda by the Foreign Secretary, discussing recent developments in Europe (C (65) 51) and the possibility of creating links between the European Free Trade Association (EFTA) and the European Economic Community (EEC) (C (65) 52), together with a memorandum by the Prime Minister (C (65) 73) on the latter subject.

The Foreign Secretary said that there was a risk that the EEC might become a closed community, with serious disadvantage to our economic relationships with the United States, the rest of the Commonwealth and the other EFTA countries, since all these countries would then be subjected to increasing pressure to make arrangements with the Community which might be prejudicial to us. Moreover, the maintenance of an integrated Atlantic policy in defence would become increasingly difficult. There could be no question, in present circumstances, of our renewing our application to join the Common Market. But we might wish to do so at some point in the future; and it was to our interest to keep the option open. This was largely a question of the presentation of our policies, which should emphasise the positive, rather than the negative, aspects of our attitude to Europe. We should make it clear, therefore, that, provided that our essential (but unspecified) interests were safeguarded, we should ultimately wish to join a wider European market, together with any other members of EFTA who wished to accompany us, and that such a policy would be complementary to, and not incompatible with, our membership of the Commonwealth and our relationship with the United States.

The Prime Minister said that the gradual consolidation of EFTA as a free trade area and of the EEC as a customs union was accentuating the division of Europe in a manner which would be detrimental to our interests and to those of the Western world as a whole. We must therefore maintain our efforts to promote closer political and economic unity in Europe in a form in which we could play an integral part. It was difficult to envisage the ultimate solution of this problem; but in the meantime we must seek to prevent a loss of confidence or cohesion in EFTA and to bring EFTA and EEC closer together. His recent discussions with leaders of European Socialist Parties had suggested that we should do well to take advantage of the forthcoming meeting of the EFTA Council in Vienna to ventilate certain proposals which might at least
mitigate the division and perhaps help to promote the eventual union of Europe. The immediate need would be served by the establishment of a standing joint Consultative Council of the member countries of EEC and EFTA and perhaps by an exchange of Ambassadors between the two organisations. The terms of reference of the Council should provide for the discussion of questions of general economic and commercial policy of particular interest to the member countries, while avoiding any duplication of the functions of other and more comprehensive bodies such as the Organisation for Economic Co-operation and Development (OECD).

In addition we should also canvass at the Vienna meeting, without commitment, certain proposals which had been put forward from various quarters for improving the links between EFTA and the EEC. These might include:

(i) The creation of a new European free trading area, of which both EFTA and EEC would be members.
(ii) The maximum use of the Kennedy Round of tariff negotiations to secure tariff reductions in relation to industrial products.
(iii) A further reduction of tariff barriers on commercial exchanges between EFTA and EEC, the benefits of which would have to be extended to other countries on a most-favoured-nation basis.
(iv) The formation of free trade area type arrangements for appropriate goods on the model of the recent agreement between the United States and Canada in relation to motor vehicles.

None of these possibilities, however, would constitute a permanent solution to the problem; and it would be important that the third and fourth proposals should not prejudice the outcome of the Kennedy Round or be considered at this stage other than privately, as suggestions which might merit further examination after the Kennedy Round was completed. Other possibilities which might be discussed were:

(v) The extension on a wider European basis of functional collaboration in the field of advanced technology.
(vi) European co-operation in basic regulations and codes of practice, such as patents and industrial standards.

These suggestions might be reinforced if we also indicated that we were now actively reviewing the possibility of gradually adopting the metric system and a decimal coinage and hoped to bring these issues to the point of decision in the near future.

It might therefore be advantageous to suggest at the Vienna meeting that there should be a further meeting of senior Ministers of member Governments of EFTA and EEC in order to discuss the establishment of the proposed Joint Consultative Council, which should thereafter adopt as its initial agenda the various proposals which he had indicated. It might also be desirable to arrange a meeting of appropriate delegations from EFTA countries to work
out further stages of this initiative. Meanwhile, our intentions should be disclosed, informally and confidentially, to EFTA Governments, to other Commonwealth Governments and to the Governments of the United States and Eire, in advance of the Vienna meeting.

Discussion showed broad agreement with the Prime Minister’s proposals and a general endorsement of any practicable steps which might be taken to prevent the hardening of divisions in Europe and to associate the United Kingdom with wider European interests. In pursuing these initiatives, however, we should bear the following considerations in mind:

(a) We must be on our guard against any attempt by the other members of EFTA to secure more generous access to our market for their agricultural produce.

(b) The interests of the developing countries should be taken into account in any wider European discussion of the kind envisaged; and, while avoiding any duplication of the activities of OECD in this respect, we might explore the possibility of a joint EEC/EFTA initiative in this field.

(c) It would not accord with our interests at the present time to seek specific institutional links on a European basis which might impair our autonomy in the control of our currency arrangements, particularly as regards movements of capital.

(d) We must avoid giving any indication that we might be able to make further reductions in the current surcharge on imports in the near future.

(e) The other members of the Commonwealth should be kept fully informed of the development of our proposals.

In further discussion the Cabinet considered whether the Government might shortly make a public declaration that they intended to promote the gradual introduction of the metric system. It was agreed that, in principle, it would be to our advantage to move in this direction. But the metric system still encountered a measure of opposition in some sections of industry; and we must allow time for this to be overcome. We must also take full account of the importance of our trade with countries, such as the United States and other members of the Commonwealth, whose system of weights and measures was identical with, or similar to, the system which we ourselves used at present. The possibility of introducing a decimal coinage would need further examination before any commitment in this respect could be incurred.

The Cabinet—

(1) Took note of C (65) 51 and 52.

(2) Approved C (65) 73, subject to the points made in their discussion.

(3) Invited the Foreign Secretary and the Commonwealth Secretary, in consultation with the First Secretary of State and the President of the Board of Trade, to give further consideration to the manner in which other
Commonwealth Governments and the Governments of the United States and Eire should be informed of the proposals in C (65) 73.

(4) Invited the President of the Board of Trade, in consultation with the Chancellor of the Exchequer and the Minister of Technology, to give further consideration, in the light of their discussion, to the desirability of indicating, both at the forthcoming meeting of the Ministerial Council of the European Free Trade Association and simultaneously in Parliament, that the Government were disposed to promote the gradual introduction of the metric system of weights and measures; and to consider the form in which an announcement to this effect might most appropriately be made.

6. The Cabinet considered a memorandum by the Attorney-General (C (65) 72) on the Trade Disputes Bill.

The Attorney-General said that the effect of the Bill as at present drafted would be that causes of action which had arisen, but in respect of which no legal proceedings had been instituted, before Royal Assent would be decided in accordance with the provisions of the Bill and not in accordance with the current state of the law. The Bill would thus have some measure of retrospective effect in that a potential plaintiff whose right of action had accrued before the Bill became law might lose that right. Current Parliamentary debates on the War Damage Bill had emphasised the strength of opinion against retrospective legislation; and it might therefore be desirable that the Trade Disputes Bill should be amended to reduce the degree of retrospection by permitting proceedings to be instituted within six months of the Royal Assent in respect of causes of action which had then accrued. It seemed improbable that this amendment would have much practical effect since there were unlikely to be more than a very few cases which fell within the category in question.

In discussion the Cabinet were informed that the Minister of Labour concurred in this proposal. In further discussion it found general support, on the understanding that, although the decision rested with the Government alone, it would be desirable that the Trade Union Congress should be informed in confidence of the Government's intentions.

The Cabinet—
(1) Approved C (65) 72.
(2) Invited the Minister of Labour, in consultation with the Attorney-General, to inform the Trade Union Congress in confidence of the Government's intentions as regards the amendment of the Trade Disputes Bill.

Cabinet Office, S.W.1,
13th May, 1965.

SECRET
CC (65) 31st Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 20th May, 1965, at 10.30 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport

The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:

Mr. George Thomson, M.P., Minister of State for Foreign Affairs (Items 1 and 2)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury
Mr. Richard Marsh, M.P., Joint Parliamentary Secretary, Ministry of Labour (Items 3 and 4)

Secretariat:

Sir Burke Trend
Mr. P. Rogers
Miss J. J. Nunn
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

The Cabinet considered the situation which might arise if the Government were defeated in the House of Lords during the Consideration of Commons' Reason for disagreeing to the Lords Amendments of the War Damage Bill. It would be desirable in principle that the Government should indicate forthwith that they intended to invoke the Parliament Act in relation to this Bill and that, until this procedure had run its full course, there would be no question of any payment being made from the Exchequer to the claimant companies. But the practicability of a public statement to this effect would need to be further considered in the light of the fact that the Scottish courts might deliver judgment in favour of the companies during the autumn and it might then be open to doubt whether the Government would be entitled to withhold the payment due in discharge of this judgment until they had succeeded in amending the law.

The Cabinet—

Invited the Lord Chancellor, in consultation with the Chancellor of the Exchequer and the Lord Privy Seal, to give further consideration, in the light of their discussion, to the attitude to be adopted by the Government if they were defeated in the House of Lords on the War Damage Bill during the following week.

2. The Minister of State for Foreign Affairs said that the civil war in the Dominican Republic had been renewed and the military junta appeared to have gained some advantage over the so-called "constitutional" faction. The United Nations had now sent a representative of the Secretary-General to the country; and the President of the United States, President Johnson, had also despatched an official mission to assess the situation.

In discussion it was suggested that this action by President Johnson might indicate that the United States Government were beginning to realise that their military intervention in the Dominican Republic, although originally justified by the imperative need to save human life as far as possible, was no longer so defensible now that it appeared to be directed to ensuring that any new Government established there should be politically acceptable to the United States. Even so, they might be expected to continue to resist the suggestion that the peace-keeping initiative originally promoted by the Organisation of American States should now be formally brought under the aegis of the United Nations; but we, for our part, could not afford to oppose any move in this direction and must maintain our view that the United Nations should be regarded as responsible for restoring peace and order in the Dominican Republic.
Cyprus

The Commonwealth Secretary said that discussions were now in train between the Greek and Turkish Governments in a renewed attempt to devise some settlement of the communal dispute in Cyprus. But the President of Cyprus, Archbishop Makarios, had indicated that he would resist any procedure which would exclude the Government of the Island from discussions to this end; and, as the most effective means of demonstrating his insistence on this point, he had requested the United Nations to arrange for their mediator, Señor Gallo Plaza, to return to Cyprus forthwith. In these circumstances it would be desirable that, when the mandate under which the United Nations peace-keeping force was stationed in the Island expired on 26th June, we should support its extension for a further period.

The Minister of State for Foreign Affairs informed the Cabinet that the United States Government had recently suspended their air attacks on North Vietnam for a few days in the hope that the Government of North Vietnam would thereby be induced to open negotiations for a settlement of the Vietnamese war. But the Government of North Vietnam had rejected all the messages in which we ourselves and other intermediaries had urged them to take advantage of this opportunity; and the discussions which the Foreign Secretary had subsequently held with the Soviet Foreign Minister, M. Gromyko, in Vienna had made it clear that there was still no disposition on the part of the Communist Powers to embark on negotiations directed specifically to a settlement of the dispute in Vietnam. In these circumstances we must revert to our earlier intention of trying to arrange informal discussions about the situation in Vietnam under cover of a conference which would be convened primarily to discuss the neutrality and integrity of Cambodia; and it was therefore encouraging that the latest indications of the attitude of the other countries concerned provided some grounds for hoping that it might be possible for the Soviet Union and ourselves, as co-chairmen of the 1954 Geneva Conference on Cambodia, to issue invitations for this purpose in the fairly near future.

The Cabinet—

Took note of these statements.

Vietnam

(Previous Reference: CC(65) 26th Conclusions, Minute 2)

The Cabinet considered a memorandum by the Home Secretary (C (65) 77) on the incorporation in the Race Relations Bill of provisions establishing conciliation machinery.

The Home Secretary said that Clause 1 of the Race Relations Bill, which made it a criminal offence to practise racial discrimination in a place of public resort, had been criticised on the ground that it introduced criminal sanctions into a field more appropriate to conciliation and that any infringement of civil rights should be a matter for the civil, rather than the criminal, courts. There was a considerable body of opinion in favour of providing a means of conciliating the parties before legal action of any kind was invoked.
He had therefore undertaken in the debate on the Second Reading of the Bill to consider the possibility of making arrangements for this purpose and, if they appeared practicable, to amend the Bill in Committee. After consultation with the Ministers principally concerned and a number of the Government’s supporters he proposed to amend the Bill by providing for the constitution of a Race Relations Board, which would appoint local conciliation committees to investigate complaints of discrimination and to promote a settlement of differences, coupled with adequate assurances against the repetition of discriminatory conduct. If conciliation failed, the committee would report to the Race Relations Board, who would have power to apply to the local county court for an injunction restraining the individual who was the subject of the complaint, on pain of committal for contempt of court, from any further acts of discrimination. The Board would be responsible for establishing Scottish conciliation committees; but it was thought more appropriate for any legal proceedings in Scotland to be instituted by the Lord Advocate. The Board itself would have no responsibility for undertaking conciliation, which would rest entirely with the local committees, composed of members of local authorities and other persons of goodwill. There would be strong pressure for the scope of the conciliation machinery to be extended to deal with discrimination in respect of housing and employment; but it seemed desirable to adhere to the Cabinet’s earlier decision that such pressure should be resisted.

In discussion there was general agreement that conciliation machinery should be introduced. It was suggested, however, that conciliation was not necessarily incompatible with ultimate enforcement by means of criminal sanctions. Those who objected to criminal sanctions, on the ground that they subjected the individuals accused of discrimination to a taint of criminality, objected to the Bill in principle; but the Government’s attitude should be that discriminatory conduct was so repugnant that it was right to regard it as a criminal offence. On the other hand there was considerable support in Parliament for the view that the retention of criminal sanctions would prejudice conciliation and exacerbate local tensions. The Bill already provided heavy criminal sanctions against incitement to racial hatred; but this was an offence against public order and must be differentiated from an infringement of personal rights of a kind which constituted a primarily civil complaint.

The introduction of conciliation procedure would undoubtedly expose the Government to strong pressure to extend the scope of the Bill to discrimination in housing and in employment, to which it would be argued that conciliation was especially appropriate. But in the field of housing it would be objectionable in principle and unacceptable to local authorities that non-elected bodies should be empowered to override the decisions of elected councils in the selection of council tenants; and in the field of employment the Ministry of Labour were already achieving some success, through consultation with employers and trade unions, in reducing discrimination.
Moreover, the difficulty here lay less in a refusal to employ coloured labour (except in cases where unions believed that an employer wished to use immigrant labour in order to depress wages) than in a refusal to concede it equality of opportunity of advancement. But it would be inappropriate to attempt to deal with this attitude by a process of conciliation backed by recourse to the courts; and there was no reason to think that a system of conciliation by conciliation committees without the use of sanctions would achieve greater success than the procedures already employed by the Ministry of Labour.

In further discussion attention was drawn to the fact that, contrary to the usual practice when a new civil offence was created, the victim of unlawful discrimination was not to be given the right to sue. This could hardly be justified on the ground that, if the right to sue were conceded, the courts would be overwhelmed by individual actions, since this appeared very improbable. But if it were sought to justify it on the ground that what was in question was primarily a matter of public policy, it would be more appropriate for proceedings to be instituted by the Attorney-General in accordance with the precedents of the Restrictive Trade Practices Act, 1956, and the Resale Price Maintenance Act, 1964. This argument was reinforced by the fact that, although the Race Relations Board would not itself be engaged in conciliation, it would be responsible for the proper functioning of the conciliation committees and its work might therefore be prejudiced if it appeared to the public in the role of a prosecutor. Moreover, since the provision confining the right to institute proceedings in Scotland to the Lord Advocate was unprecedented in the field of civil law, it would not be easy to justify making a distinction between England and Wales on the one hand and Scotland on the other hand on the ground that the legal system of the latter country required it.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that conciliation machinery, supported by civil sanctions, should be created on the lines proposed by the Home Secretary but that the right to institute proceedings for an injunction in cases where conciliation failed should be vested in the Attorney-General in England and Wales and not in the Race Relations Board. The arrangements for the appointment of the Board should be the subject of further consultation between the Home Secretary and the Secretary of State for Scotland. Pressure for the use of the conciliation machinery to deal with problems of the housing or employment of immigrants should be resisted.

The Cabinet—

Approved the proposals in C (65) 77 for the establishment of a Race Relations Board, on the understanding that the right to institute legal proceedings, where necessary, would be vested in England and Wales in the Attorney-General and not in the Board.
4. The Cabinet considered a memorandum by the First Secretary of State (C (65) 76) about the salaries of the higher judiciary.

The First Secretary of State recalled that the Cabinet had previously agreed that legislation should be introduced in June or July in order to increase the salaries of the higher judiciary with effect from September. Subsequent discussion, however, had disclosed a division of view between the Ministers primarily concerned on the amount of the increase. This issue could conveniently be considered in terms of the salaries of High Court judges in England and Wales, although the proposals in question comprised a range of other judicial salaries which would be increased proportionately. The salary of a High Court judge had remained at £5,000 a year since 1832 until 1954, when it was raised to £8,000 with the declared intention that the new rates should stand "for a fairly long period, perhaps for a generation". There was thus some measure of anticipation in the rates fixed in 1954; and it was generally agreed that, by 1958, these rates were still currently appropriate. The Lord Chancellor had represented, however, in the light of increases in other comparable incomes since 1958, that the present salaries of High Court judges should now be raised by at least 30-40 per cent, to a level of £10,400-£11,200; and he had emphasised, in justification of this proposal, the great importance of maintaining the unchallengeable independence of the judiciary, of avoiding any action which might appear to diminish the status of judges and of continuing to attract the best individuals to the Bench. The Chief Secretary to the Treasury, on the other hand, had taken the view that the salaries of judges must now be considered in relation to the salaries of senior Ministers and Permanent Secretaries in the Civil Service and that on this basis a salary of £9,000 a year would be appropriate. In further discussion, however, agreement had been reached between the Lord Chancellor, the Chief Secretary to the Treasury and himself that they should recommend to the Cabinet an increase to £10,000 a year (other judicial salaries being increased proportionately) with effect from 5th April, 1966. This would represent an increase of 25 per cent, or a compound annual rate of just under 3 per cent, since 1958. If the Cabinet agreed, the date of the announcement of the increases and of the introduction of the necessary legislation might subsequently be decided in discussion between the Lord Chancellor, the Lord President of the Council and himself. Certain minor adjustments to the other proposals in C (65) 76 might similarly be settled subsequently by agreement between the Ministers concerned.

Discussion showed general agreement with the level and timing of the increases proposed. It was suggested that there might be some advantage in delaying the relevant announcement until after the summer recess. It was agreed, however, that, having regard to the extent to which the Government were already committed in this respect, a public statement of their intentions could not be deferred for so long. Meanwhile, the judges might be informed in confidence of the Cabinet's decision.
Televising Parliamentary Proceedings

5. The Cabinet considered a memorandum by the Lord President of the Council (C (65) 75) discussing the desirability of arranging for Parliamentary proceedings to be televised.

The Lord President said that the Cabinet would need to decide the attitude to be adopted by Government spokesmen in a debate on this subject on a Private Member's Motion on 28th May. It would be technically possible to televise the proceedings in the House of Commons; but at present this would require the installation of four cameras and a considerable increase in the strength of lighting in the Chamber. It seemed probable, however, that in 12 to 18 months' time highly sensitive miniature cameras would be developed by the British Broadcasting Corporation (BBC), which would be easily concealed and would need only a slight reinforcement of the present lighting. A full Parliamentary service could be provided only by monopolising the fourth television channel; and it would be impracticable on this ground alone, quite apart from the fact that some £35 million of capital expenditure would be involved. But it would be possible to transmit the debates as part of the ordinary BBC Services on special occasions or to provide an edited review of the day's proceedings on the existing services late at night. The cost of transmitting an edited version within an existing programme had been estimated in 1960 at about £250,000 in capital expenditure and £60,000 a year in annual outlay. No information was yet available about the cost of introducing the more sensitive cameras.

It was necessary to consider the effect of televising Parliamentary proceedings both on the conduct of the proceedings themselves and on the relationship between Parliament and the public. Experience elsewhere suggested that the live broadcasting of proceedings would lower the quality of debates and would therefore damage the reputation of Parliament with the public. On the other hand it could be argued that, if the public could observe the House of Commons in action, they would be encouraged to take a more active interest in the debates on major and controversial topics and that most of the objections to live transmissions would be avoided if an edited record were transmitted at the end of the day. The task of condensing the debate impartially would be difficult and might give rise to considerable political controversy but the BBC believed that they could surmount these obstacles. They had therefore suggested that they should be permitted to conduct experiments in sound recordings and subsequently in television, in order to give Members of Parliament an opportunity to consider whether the transmission of proceedings, either live or in an edited version, might be expected to enhance the prestige of Parliament and the public understanding of political affairs. If these experiments were permitted, it would be necessary to consider whether similar facilities should be afforded to independent television.
In the light of these considerations the Cabinet would need to decide whether, for the purposes of the forthcoming Parliamentary debate, the Government spokesmen should maintain the attitude adopted hitherto, by declining to initiate action without a clear indication that this was the desire of the House or whether they should give an undertaking that the Government would consult the Speaker and the Lord Chancellor with a view to promoting experiments on the lines proposed by the BBC. It would no longer be profitable to pursue a third possible course of action, in the form of a proposal to appoint a Select Committee which could itself arrange for whatever experiments it thought necessary, since the existing Select Committee on Publications and Debates had now decided, with the agreement of the authorities of the House, that this issue came within its own terms of reference. It seemed doubtful whether there was any strong demand, either inside or outside Parliament, for the proceedings of Parliament to be televised; and it might therefore be appropriate that the Government should initially confine themselves to indicating that they would take no action without a clear indication that this was the desire of Parliament.

In discussion there was some support for the view that changes in the relationship between Parliament and public opinion might provide stronger justification than had formerly existed for consenting to some degree of broadcasting of Parliamentary proceedings and that the Government should therefore not adopt a merely negative posture on this subject in the course of the forthcoming debate. It would nevertheless be appropriate that they should continue to refrain from expressing a definite view until it was possible to judge more clearly whether Parliamentary opinion as a whole was in favour of exploring the question further. If so, it would be necessary in due course to consider whether any arrangements which might be made for televising the proceedings of the House of Commons should also extend to the proceedings of the House of Lords.

The Cabinet—

Agreed that in the forthcoming debate on the desirability of arranging for Parliamentary proceedings to be televised Government spokesmen should confine themselves to indicating that the Government would not take any initiative in this matter but that they would be prepared to pursue it if this was clearly the general wish of Parliament.

Cabinet Office, S.W.1.

20th May, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 3rd June, 1965,
at 10.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P.,
First Secretary of State and Secretary
of State for Economic Affairs
The Right Hon. Lord Gardiner,
Lord Chancellor
The Right Hon. Michael Stewart, M.P.,
Secretary of State for Foreign Affairs
The Right Hon. Arthur Bottomley,
M.P., Secretary of State for Commonwealth
Relations
The Right Hon. James Griffiths, M.P.,
Secretary of State for Wales
The Right Hon. Douglas Jay, M.P.,
President of the Board of Trade
The Right Hon. Anthony Crosland,
M.P., Secretary of State for Education
and Science
The Right Hon. Douglas Houghton,
M.P., Chancellor of the Duchy of
Lancaster
The Right Hon. Fred Peart, M.P.,
Minister of Agriculture, Fisheries and
Food
The Right Hon. Tom Fraser, M.P.,
Minister of Transport

The following were also present:
The Right Hon. Margaret Hessayon,
M.P., Minister of Pensions and
National Insurance (Item 4)
The Right Hon. Roy Jenkins, M.P.,
Minister of Aviation (Item 4)

The Right Hon. Herbert Bowden, M.P.,
Lord President of the Council
The Right Hon. James Callaghan, M.P.,
Chancellor of the Exchequer (Items 1
and 2)
The Right Hon. Denis Healey, M.P.,
Secretary of State for Defence
The Right Hon. William Ross, M.P.,
Secretary of State for Scotland
The Right Hon. Anthony Greenwood,
M.P., Secretary of State for the Colonies
The Right Hon. The Earl of
Longford, Lord Privy Seal
The Right Hon. Richard Crossman,
M.P., Minister of Housing and Local
Government
The Right Hon. Frank Cousins, M.P.,
Minister of Technology
The Right Hon. Frederick Lee, M.P.,
Minister of Power
The Right Hon. Barbara Castle, M.P.,
Minister of Overseas Development
(Items 1-4)

Secretariat:
Sir Burke Tred
Mr. P. Rogers
Mr. J. H. Locke

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SECRET
1. The Cabinet were informed of the business to be taken in the House of Commons in the first week after the Whitsun Recess.

Mrs. Renee Short, M.P., had tabled a 10-Minute-Rule Motion on 15th June for leave to introduce a Bill to amend the law on abortion. In discussion it was agreed that, if this Motion were opposed and there were a division in the House of Commons, the Government’s supporters should be free to vote according to their personal convictions.

2. The Prime Minister informed the Cabinet that it was proposed that Bank Rate should be reduced that day from 7 per cent to 6 per cent. This reduction appeared desirable on several grounds. It would lighten the very heavy burden which current interest rates imposed upon the Exchequer in relation to the service of the Public Debt; it would contribute, for the same reason although to a lesser extent, to an easing of the current strain on the balance of payments; and, by arresting the rising tendency of interest rates, it should help to increase the supply of finance for house building, both by local authorities and by private enterprise. Above all, however, a reduction in Bank Rate from a level which was normally associated with a critical monetary situation would provide the Government with greater room for manoeuvre in dealing with possible future developments as regards the balance of payments; and, by indicating their confidence in their economic policies, it would demonstrate that they retained, not only economically but politically, the power of initiative.

On the other hand a reduction would entail a considerable degree of risk; and, if it were interpreted as an indication of recklessness rather than confidence, the consequences for sterling could be very grave. In these circumstances it was essential that the change should be accompanied by some parallel measure which would indicate that the Government did not contemplate any significant relaxation of credit control. A large part of the field in question had already been covered by the recent request to certain financial institutions to restrict to 5 per cent the increase in credit during the year ending March 1966. Other institutions, however, particularly those concerned with the financing of hire purchase transactions, were not subject to this discipline; and it would be desirable to ensure that they, too, should be brought within the scope of credit control. The simplest method of achieving this purpose would be to tighten somewhat further the existing controls on hire purchase. It was, therefore, proposed that, simultaneously with the reduction in Bank Rate, the existing provisions of these controls should be amended to increase from 20 per cent to 25 per cent the initial deposit required in the case of hire purchase agreements in relation to cars and motor-cycles and from 10 per cent to 15 per cent the initial deposit required in the case of hire purchase agreements in relation to cars and motor-cycles and from 10 per cent to 15 per cent...
the deposit required in the case of agreements in relation to other consumer durable goods. In the interests of those setting up house for the first time, however, the existing rates of deposit in relation to cookers, water-heaters, furniture and bedding would remain unchanged.

In discussion some doubts were expressed about both the timing and the substance of the changes proposed. There had recently been a renewal of pressure on sterling in the exchange markets; and this did not appear to provide a secure psychological foundation for a reduction in Bank Rate. Moreover, the intensification of hire purchase control would be liable to aggravate the tendency, which was already apparent, for industrial production to hesitate; and to that extent industry would be even less well adapted to withstand the impact of a subsequent increase in Bank Rate, if this should again become necessary on other grounds. For these reasons it might be preferable to confine the change to the reduction in Bank Rate alone and to dispense with the proposed adjustment of hire purchase control—the more so since public opinion would find it difficult to comprehend these diverse measures as inter-related elements in a single operation.

On the other hand it could be argued that, although it had been impossible to contemplate a reduction in Bank Rate until our reserves of foreign exchange had been fortified by the recent additional drawing from the International Monetary Fund, its perpetuation at a level of 7 per cent was indefensible as soon as the reserves had been reinforced in this manner; and any apparent indication thereafter of the Government's lack of confidence in the economy would serve to reduce, rather than to increase, international confidence in sterling. It was now desirable, therefore, to reduce the Rate as rapidly as possible; and the fact that, even after the proposed reduction, it would still be at a high level should enable us to rebut any suggestion by other Governments that we were now able to liberalise our policies in other respects, e.g., by removing the balance of the surcharge on imports. The justification of the accompanying measures in relation to hire purchase control was, admittedly, presentational to some extent, at least in so far as their effect would be liable to be offset by the easing of interest rates which should follow the reduction in Bank Rate. But, if international confidence in sterling was to be preserved, it was essential to demonstrate that we had established effective control over the supply of credit; and the measures proposed, by supplementing the earlier request to financial institutions to limit the expansion of credit, should make clear our purpose in this respect. Moreover, it would be consistent with the Government's political convictions to seek to control credit by discriminatory quantitative methods rather than by the indiscriminate use of the purely monetary mechanism; and, if it subsequently appeared that the intensification of hire purchase control was exerting an unduly depressive effect on industrial production, there should be no difficulty in employing appropriate fiscal methods to rectify this situation.
The Prime Minister, summing up the discussion, said that, despite the doubts expressed by some Ministers, the Cabinet were on balance in favour of the proposed changes in Bank Rate and hire purchase control. These would therefore be effected by the Bank of England and the Board of Trade during the morning; and it would be desirable that the Chancellor of the Exchequer should make an appropriate announcement in the House of Commons in the afternoon, explaining the reasons for which this combination of measures had been approved.

The Cabinet—

(1) Took note that Bank Rate would be reduced from 7 per cent to 6 per cent.

(2) Approved the proposal that the control over hire purchase transactions should be amended to increase from 20 per cent to 25 per cent the initial deposit required in the case of hire purchase agreements in relation to cars and motor-cycles and from 10 per cent to 15 per cent the initial deposit required in the case of agreements in relation to other consumer durable goods, with the exception of cookers, water heaters, furniture and bedding.

(3) Took note that the Chancellor of the Exchequer would make a statement in the House of Commons that afternoon, explaining the reasons for which these changes were being made concurrently as inter-related elements in a single operation.

Oversea Affairs

Dominican Republic
(Previous Reference: CC (65) 31st Conclusions, Minute 2)

Cambodia
(Previous Reference: CC (65) 26th Conclusions, Minute 2)

3. The Foreign Secretary said that the situation in the Dominican Republic had been partly stabilised; but the basic problem which had led to the conflict had not yet been resolved. The United States troops were being gradually withdrawn as forces became available from member countries of the Organisation of American States; and the cease-fire arrangements had been prolonged indefinitely. But it would take time to bring to fruition the efforts which were now being made to form a Government which would be broadly acceptable to the parties to the dispute.

The Foreign Secretary informed the Cabinet that he proposed to publish that afternoon a White Paper substantiating our attempts to promote an international conference on the future of Cambodia. This would make it clear, among other things, that, while we were ready to join with the Soviet Government in convening a conference for this purpose, the Government of the People's Republic of China might refuse to be represented and that there would also be difficulty in reaching agreement on the manner in which the régimes in North and South Vietnam should be represented.
The Foreign Secretary said that he proposed to make a statement on Vietnam that afternoon in the House of Commons. This would indicate that it remained our purpose to seek to reach agreement on arrangements for a conference to bring the present conflict to an end. This could most appropriately be achieved by reconvening the Geneva Conference, of which he and the Soviet Foreign Minister were co-chairmen; but the Soviet Government had so far declined to join with us in taking action to this end. We were therefore examining alternative means of achieving this objective, including the possibility of making appropriate use of the recent declaration on the situation by 17 non-aligned countries including certain members of the Commonwealth. It would be our hope that such a conference might be either preceded or accompanied by a cease-fire arrangement, that it would lead to agreement on the neutrality of Vietnam, that foreign troops would be withdrawn and that the peoples of North and South Vietnam would then be left to work out together their future relationship, in the context of a systematic plan of regional development.

The Cabinet—

Took note, with approval, of these statements by the Foreign Secretary.

4. The Cabinet had before them a memorandum by the First Secretary of State (C (65) 78) about the choice of a computer for the Scottish Departments, together with memoranda by the Minister of Technology (C (65) 79) and the President of the Board of Trade (C (65) 80) about general policy in relation to the purchase of computers by the Government.

Computer for the Scottish Departments

The Prime Minister said that the choice of a computer for the Scottish Departments presented a special problem, if only because of the urgency, and might have to be settled by reference to rather different criteria from those which should determine the Government’s general policy on the procurement of computers.

The First Secretary of State said that, in consultation with the other Ministers concerned, he had given further consideration to the suggestion that the United Kingdom companies interested in this contract should be given a second opportunity to tender. The revised offers had been carefully evaluated; but even the most favourable tender, which had been submitted by English Electric LEO (EEL), was not competitive with the tender submitted by International Business Machines Limited (IBM) as regards either price (where the margin of difference was some 10 per cent) or date of operational effectiveness. In these circumstances the contract should be placed with IBM.

The Minister of Technology said that the decision as regards the computer for the Scottish Departments should not be taken
without regard to our general policy for creating a thriving and competitive United Kingdom computer industry. Some measure of preference for the United Kingdom industry was essential if the forward policies of his Department were to bear fruit in the longer term; but the choice of an IBM machine for what would become, in effect, the Scottish computer centre would inevitably prejudge the issues involved.

In discussion the following main points were made:

(a) It had been ascertained that it should be possible, by special measures, to ensure that the EEL computer would be in operation by the middle of May, rather than the beginning of September 1966. Although this date allowed no margin for unforeseen difficulties, it made the EEL machine more nearly competitive with its IBM counterpart.

(b) On the other hand the EEL computer had been rejected at the outset as inadequate in every respect; and the only subsequent change in the situation was a small reduction in its price. It would still be more expensive and less effective than the IBM machine.

The Prime Minister, summing up this part of the discussion, said that it appeared to be too late in this particular case to prefer any tender to that submitted by IBM, having regard to the special circumstances of a project which had been started as long ago as 1962. This decision, however, should be without prejudice to future policy in general.

The Cabinet—

(1) Approved C (65) 78.

Government procurement policy for computers

The Minister of Technology said that the Government's policies as regards the procurement of computers must be consistent with their declared intention to create a thriving computer industry. It was clear that United Kingdom manufacturers of computers were not yet able to compete with the United States subsidiary companies established in this country, such as IBM, at least as regards the larger and more complex types of machine. If the Government adopted a policy of invariably accepting the lowest tender, United States interests would gradually establish a monopoly of United Kingdom orders and there would be no prospect of creating an economic United Kingdom industry. It was, therefore, essential that the Government should announce that they intended to give a preference to United Kingdom firms in placing contracts, unless:

(i) No United Kingdom machine could satisfy the requirement.

(ii) The project for which the computer was required would be delayed by 12 months or more.

(iii) There was a disparity of 25 per cent or more in price.

SECRET
The President of the Board of Trade said that he agreed that assistance should be given to the United Kingdom computer industry. But the industry should not be defined for this purpose by reference to the nationality of the shareholders of the firms concerned, especially since this would be contrary to the interests of the development areas, in which the United States subsidiary companies had been established. Moreover, although a degree of preference in favour of United Kingdom firms might be conceded, it would be an error to announce publicly a policy of discrimination which might constitute a breach of our international obligations and provoke reactions by other countries which would be damaging to our balance of payments.

In discussion the following main points were made:

(c) A substantial preference for United Kingdom firms in the allocation of Government contracts for computers would work against our long-term aim of making the industry fully competitive. This would be better achieved by promoting mergers of the main firms concerned in order to secure the economies of large-scale production.

(d) It might be desirable to discuss with other Commonwealth countries the scope for meeting their needs for computers from the United Kingdom; and it would be preferable, therefore, to refrain from any public announcement of policy until after the forthcoming Meeting of Commonwealth Prime Ministers.

(e) The United States computer industry was supported by the policy of the United States Government in giving a substantial preference to domestic producers; and this enabled their firms concerned to quote lower prices elsewhere. It would be desirable to ascertain whether the prices charged by such firms were the same in the United States and in the United Kingdom.

(f) The United States subsidiary firms established in the United Kingdom exported a substantial number of computers; and information should be obtained on the extent to which this offset their imports of components.

(g) The nationalised industries might be persuaded to combine their requirements with those of Government Departments; but they could not be directed to do so.

(h) The period of one year which was suggested in C (65) 79 as being the measure of acceptable delay in deciding whether a tender by a United Kingdom company should be accepted should be interpreted as applying to the period at the end of which the computer would be not merely installed but also in effective operation.

The Prime Minister, summing up this part of the discussion, said that it was agreed in principle that special measures should be taken to develop a thriving computer industry and that these should include a measure of preference for the United Kingdom industry in the procurement of computers by the Government, although the price margin should perhaps be rather less than the 25 per cent proposed in C (65) 79. The Minister of Technology should therefore ascertain from all Government Departments details of their future
requirements of computers with a view to arranging centralised purchasing of these machines by his Department. If, as a result, the United Kingdom industry was offered the prospect of a larger volume of orders, this might well enable the firms concerned to submit more competitive quotations. But, if necessary, a measure of discrimination should be adopted. It would also be desirable to consider whether direct assistance to the industry might be a preferable alternative to an arrangement based on a preference. In either event it would be necessary to decide how far discrimination might be based, e.g., on the extent to which the firms concerned carried out their research in this country or on the extent to which they imported components. Any public statement of the Government's policy should await the Cabinet's further consideration of these issues.

The Cabinet—

(2) Invited the Minister of Technology to circulate a further memorandum on assistance to the computer industry on the lines indicated by the Prime Minister in his summing up.

The procurement of a computer for the Royal Aircraft Establishment (RAE), Farnborough

The Minister of Aviation said that it was now urgently necessary to secure a new computer for the RAE. He proposed to invite tenders on a non-discriminatory basis; but this would not necessarily imply a decision to accept the lowest tender if this were not submitted by a United Kingdom firm. That decision would depend on other considerations.

In discussion it was suggested that it might be preferable to dispense with tenders from other than United Kingdom firms. The general view, however, was that it was desirable to invite tenders from as wide a field as possible in order to gauge the extent to which United Kingdom firms were not yet competitive.

The Cabinet—

(3) Invited the Minister of Aviation to invite tenders for the computer for the Royal Aircraft Establishment, Farnborough, from all firms interested.

5. The Prime Minister said that a number of Ministers had it in mind to publish White Papers in the near future. It might be desirable that these should now be examined in terms of both policy and timing, in order that the publication of successive instalments of the Government's policies should be arranged in as orderly and effective manner as possible.

The Cabinet—

Took note that the Lord President would arrange to review, in consultation with the Ministers concerned, the forward programme of publication of Departmental White Papers.

Cabinet Office, S.W.1,
3rd June, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 15th June, 1965, at 10.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister (Items 1-6)
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs (In the Chair for Item 7)
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frederick Lee, M.P., Minister of Power

The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Grifiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government (Items 1-6)
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Tom Fraser, M.P., Minister of Transport

The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. Margaret Herbison, M.P., Minister of Pensions and National Insurance (Item 5)
Mr. Richard Marsh, M.P., Joint Parliamentary Secretary, Ministry of Labour (Items 5-7)

Mr. John Diamond, M.P., Chief Secretary, Treasury (Item 5)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:
Mr. P. Rogers
Miss J. J. Nunn
Mr. J. H. Locke
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1. The Cabinet were informed of the provisional programme of business to be taken in the House of Commons in the following week.

2. The Prime Minister said that the situation in Vietnam gave cause for grave concern, although there were indications that some further hopeful initiative might be possible before long.

The Foreign Secretary said that the current discussions on financial contributions to the United Nations Organisation (UNO) in accordance with Article 19 of the United Nations Charter and on future peace-keeping procedures offered no prospect of success, owing to the irreconcilable difference of views between the nations concerned. It was now clear that neither the Soviet Union nor France was prepared to make appropriate payments in respect of previous peace-keeping activities and the Afro-Asian countries were primarily concerned that meetings of the Assembly should be resumed without regard to the basic principles which were involved in the dispute. Meanwhile, the financial position of the UNO was serious. In these circumstances, approval had been given to a proposal by the Minister of State for Foreign Affairs (Lord Caradon) that the United Kingdom should inform the Secretary-General that they would be prepared to pledge unconditionally a voluntary contribution of $10 million as a positive indication of their support for the UNO and to help to restore it to solvency. This pledge would be accompanied and followed by statements of our future objectives over the whole field of peace keeping. It was hoped that a number of other nations might be induced to make similar unconditional payments. The United States Government had been informed of our proposal and welcomed our initiative, though they were not likely to take similar action at this stage. It would be appropriate for our statement to be made before the twentieth anniversary on 24th June of the establishment of the UNO, and probably on the 21st June. Parallel statements would be made in Parliament and at the Meeting of Commonwealth Prime Ministers.

This action implied the end of the current attempt to obtain agreement on the payment of contributions in accordance with Article 19 and on the principles on which future peace-keeping activities should be financed. It would, however, be a dramatic indication of our support for the United Nations where our reputation was now high. It should lead to a substantial improvement in the general climate affecting the future of the Organisation, which would provide the best prospect of reaching an acceptable compromise on the future approach to UN peace-keeping activities. In particular, the pressure of Afro-Asian countries was likely to move in our favour and this factor might well influence the attitude of the Soviet Union.

SECRET
The Prime Minister said that the Minister without Portfolio (Sir Eric Fletcher) had been assigned specific Ministerial duties in the Treasury in order to assist the Chancellor of the Exchequer and other Treasury Ministers at a time of exceptionally heavy pressure upon them. A note would be circulated to other Ministers on the division of responsibility between them.

The Prime Minister said that the informal meeting at Chequers during the previous weekend of the Ministers concerned with our defence expenditure and oversea commitments had given preliminary consideration to the measures which would be necessary to enable defence expenditure to be reduced by 1969-70 to £2,000 million at 1964 prices. While it was clear that this would involve painful decisions on priorities, the meeting had disclosed a broad measure of agreement both that it should be achieved and on the way in which it should be pursued. Further studies were now being undertaken by the Ministry of Defence and would be subsequently considered with other Departments concerned with a view to the crystallisation of the issues in a form which would facilitate discussion, and the taking of decisions, by the Cabinet.

The Prime Minister said that during July it would be necessary for the Government to consider the programmes of public expenditure between now and 1969-70. It would be helpful if, before they came to Cabinet, they were first examined and analysed by a small committee of senior Ministers who were not departmentally closely involved: he had therefore asked the Chancellor of the Exchequer to act as Chairman of such a committee and the following Ministers to be members:

- First Secretary of State
- Lord President of the Council
- Secretary of State for Scotland
- Chancellor of the Duchy of Lancaster
- Minister of Labour
- Minister of Technology
- Chief Secretary to the Treasury

The Chancellor of the Exchequer would in addition discuss the departmental programmes with the Ministers directly concerned and recommendations would be made to the Cabinet as early as possible in July.

The Cabinet—
Took note of these statements.
4. The Prime Minister said that the trade figures for May, which would be published later in the day, were disquieting. There had been a substantial rise in imports, particularly of manufactured goods, and no rise in exports, with the result that the gap in the visible trade figures was the worst on record. The position reflected the industrial situation which had been inherited by the Government and the fact that their longer-term measures had not yet had time to be effective. It would be necessary to pay particular attention to the manner in which the figures should be presented, since their publication would affect confidence in sterling. The trade gap for the first five months of 1965 was however only half that of the similar period in 1964 and exports showed an increase of 4 per cent. Furthermore, the figure for imports undoubtedly showed a temporary increase as a result of the recent reduction of the import surcharge to 10 per cent. The longer-term situation was therefore less discouraging. Further consideration was being given by the Ministers immediately concerned to the manner in which we should deal with the situation.

In discussion the Cabinet were informed that there had apparently been a leakage of information to the Press about the trade figures and that the appropriate procedure of enquiry had been instituted.

The Cabinet—

Took note of this statement.

5. The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (C (65) 82) on the position of men who became entitled to workmen's compensation before 1948.

The Chancellor of the Duchy of Lancaster said that the Social Services Committee had been unable to agree on proposals for legislation in the current Session to improve the position of men injured at work before 1948 who were compensated under the Workmen's Compensation Acts at a level considerably lower than that of benefits under the Industrial Injuries Scheme. Supplementary allowances introduced since 1948 had not wholly removed this disparity, and the allowances were not payable in all cases. The previous Administration had initiated investigations through selected employers and trade unions into the practicability of widening the field in which the Industrial Injuries Fund could be used to supplement workmen's compensation, and proposals had now been worked out for absorbing the earlier arrangements and covering an additional category of men whose compensation was inadequate. The cost of rather more than £1 million a year would be met out of the Industrial Injuries Fund and the necessary legislation would be short and uncontentious. The Minister of Pensions and National Insurance considered that the strong case for early legislation on social grounds was reinforced by the political
advantage of demonstrating the Government's intention to take action before the annual meeting of the National Union of Mineworkers early in July and that of the Trades Union Congress in September. It was known that the problem had been under consideration, and both meetings were likely to be critical if no action had been taken. She found it difficult to argue that the money could not be found in the face of the forthcoming publication of the Government Actuary's Quinquennial Report on the Industrial Injuries Fund, which would show substantial and increasing balances, and of the recent increases in the maintenance allowance for students. The Chief Secretary, Treasury, had been unable to agree, however, that a decision should be reached in advance of the review of public expenditure in July, since from a budgetary point of view there was no difference between expenditure out of the Industrial Injuries Fund and other forms of public expenditure. He considered that there was no analogy between the Minister's proposals and the cost of living increase given to students, which did not affect the forecasts of expenditure at constant prices on which the control of public expenditure was based. He also feared that the acceptance of this proposal would lead to increased pressure on behalf of other classes, such as those with latent rights to workmen's compensation and old people not at present entitled to pensions.

The Minister of Pensions and National Insurance said that the proposed Bill was unlikely to attract opposition or amendment and would remove grievances on which there was strong feeling in mining areas and among their representatives in Parliament, without exposing the Government to repercussions, since the compensation cases could be distinguished from both latent cases and non-pensioners. It was well understood among the miners that nothing could be done at present for the latent cases.

The Chief Secretary, Treasury, said that he doubted whether other pressures could in fact be resisted, and emphasised that it would in any event be wrong to anticipate the review of public expenditure in respect of one among a number of proposals.

In discussion it was pointed out that early legislation would be an encouragement to the mining industry in facing the problems before it, in particular the more rapid closure of redundant pits which aggravated the difficulty of finding work for partially disabled miners. On the other hand, it would be wrong in principle to depart from the arrangements which had been made for establishing priorities in Government expenditure. It would not in any event be possible to pass the proposed legislation during the present Session, the programme for which was already overcrowded, and, since to announce the Government's intentions some months before a Bill could be introduced would be liable to attract criticism, it would in the event of a decision in favour of the proposed scheme be preferable to defer any announcement until shortly before the Conference of the Trades Union Congress in September. It should be possible for a decision on the proposals to be reached early in the review of public expenditure.
The Prime Minister, summing up the discussion, said that, while the Cabinet were in sympathy with the proposal to improve the position of men who were inadequately compensated under the Workmen's Compensation Acts, it was clear that there could be no legislation in the current Session, and in these circumstances the balance of advantage lay in deferring a decision until the review of public expenditure and any announcement, if the decision were then in favour of the proposed scheme, until the autumn. In order to reduce the interval between the passage of legislation and subsequent payments under it, however, the necessary preparatory work should be put in hand as soon as possible after the consideration of the proposals in the course of the review of public expenditure, on the assumption that the necessary legislation would be passed substantially in the form in which it was introduced.

The Cabinet—

(1) Agreed that the proposals for improving the position of men drawing compensation under the Workmen's Compensation Acts should be considered in the course of the review of public expenditure.

(2) Subject to Conclusion (1), invited the Minister of Pensions and National Insurance to put in hand preparatory work with a view to bringing the new arrangements into operation at the earliest practicable date.

6. The Cabinet considered a memorandum by the Minister of Transport (C (65) 83) on the Government's attitude to the Report of the Geddes Committee on Carriers' Licensing. Attached to the memorandum was the draft of an oral statement on the subject. The Minister of Transport said that the Committee had been appointed by the previous Administration in October 1963 to review the present licensing system. They recommended its abolition since it had failed to achieve any of the relevant objectives of Government policy, but proposed the introduction of permits to ply in order to enforce safety requirements. There was general agreement that the present system had serious defects and that changes would be needed but the Report was irrelevant to the Government's aim of a co-ordinated transport policy. He therefore proposed to make a statement indicating that a total absence of regulation over road goods transport was unacceptable to the Government and that until an alternative to the present system was devised, the Government did not propose either to abolish it or to endorse it.

The investigations now being undertaken by Lord Hinton on the co-ordination of road and rail transport had so far proved disappointing and had failed to provide the detail needed for informed judgment on the problems of co-ordination. He had now asked Lord Hinton, in conjunction with British Railways and British Railways and British
Road Services, to do a detailed study of the movement of parcels and sundries on which British Railways were on a turnover of £40 million currently making a loss of £20 million whereas British Road Services were making a profit of some £3 million on a smaller turnover of some £20 million. This was the field in which the most effective short-term results might be found in the field of road-rail co-ordination. He hoped the Report would be completed by August. This would still leave untouched, however, the wider problems of such co-ordination.

Discussion showed general agreement that the Report was unacceptable. The following points were also made:

(a) The Committee had been asked to produce a report on the wrong questions.

(b) The study of the parcels and sundries services should take account of the operation of the Post Office parcels service which also ran at a loss.

(c) The Ministry of Transport had commissioned an expert study on the question of relative track costs for road and rail which had not been covered properly in the Geddes Report.

The Prime Minister, summing up the discussion, said that it was generally agreed that the Report would have to be published and a statement made by the Ministry of Transport. It might be more appropriate for this to be written rather than oral. The Minister should also ascertain the cost of the Committee. The statement annexed to C (65) 83 should be revised to bring out more clearly that the Committee had been given the wrong terms of reference and therefore did not make any real contribution to transport policy. The Government were seeking a positive policy for the co-ordination of road-rail transport in the interests of the country as a whole. It seemed clear that the one man enquiry by Lord Hinton was no longer appropriate to the situation and it might be desirable to bring it to a close as soon as practicable. Transport questions had an important bearing on many issues, including the handling of traffic in urban centres, regional development and even local government finance and it would be desirable therefore to establish a Committee of Ministers on Transport Policy. The Chancellor of the Duchy of Lancaster might take the chair and it should function under the Economic Development Committee. A supporting committee of officials should also be established and this might include some of the Government's economic advisers.

The Cabinet—

(1) Invited the Minister of Transport to arrange for the early publication of the Geddes Report and to redraft the statement of Government policy annexed to C (65) 83 on the lines indicated in the Prime Minister's summing up of their discussion.

(2) Invited the Minister of Transport to ascertain the cost of the Committee.
7. The Cabinet considered a memorandum by the First Secretary of State (C (65) 81) about the intensification of pressure on incomes and prices.

The First Secretary of State said that prices had risen by over 5 per cent in the past year and that recent wage increases were averaging nearly 6 per cent. The movements of both were carefully watched overseas and had an important bearing on confidence in sterling. The Government's policy on prices and incomes was in great danger: it was essential that the position should be brought under control, and that the policy should be seen to be having an influence on individual cases.

The National Board for Prices and Incomes was now in operation. The report by the Board on road haulage rates should be available early in July and that on both prices and wages in the printing industry by mid-July. Urgent consideration was being given to references to the Board in several other cases, including the London Electricity Board tariffs, the Midland Bank employees' claim, the claim for administrative and clerical workers in the electricity supply industry and the atomic energy workers' claim. Other cases would be considered later, including iron and steel and coal day workers. Difficult decisions would be involved and the full support of Ministers would be necessary for the success of the Government's policy.

The Prime Minister (who was unable to stay for the discussion of this item) said that the position was extremely serious. If wages continued to outstrip the increase in productivity the resultant rise in prices would create a serious short-term threat to our external economic position and a longer-term threat to the country. It was particularly necessary to consider how best to achieve the abolition or mitigation of restrictive practices by both sides of industry. The Cabinet should give full support to the prices and incomes policy.

In discussion there was general agreement on the seriousness of the situation and on the need for the Government to show its determination to achieve the success of the policy. The following points were also made:

(a) It would be wrong to conclude from the figures for the first quarter of 1965 that wages and salaries in the public sector were...
increasing more slowly than in the private sector. In the previous quarter the relative position had been reversed.

(b) It was particularly disturbing that long-term wage agreements were being reopened.

(c) The current rush of wage claims might be partly attributable to a desire to get them settled before the prices and incomes policy was fully effective. It was now important to call a halt to increases not justified by the terms of the agreed policy.

(d) It would be important to convey more effectively to the country the facts of the situation. A quarterly statement to Parliament about trends might be helpful.

(e) It was particularly important to obtain understanding that when taxes were increased and led to rises in prices such rises could not justify an increase in incomes.

(f) The effect of the recent increase of social benefits was rapidly being eroded and it was important that the scheme for an income guarantee should be brought into effect before any further increase became inescapable.

(g) It might prove impossible to obtain a settlement of the wage claim in the atomic energy industry on the basis of the Government's present offer.

(h) The effect of holding prices in the nationalised industries might well result in their failure to achieve their financial targets.

The First Secretary of State, summing up the discussion, said that there was general agreement that the situation was serious and that the Government must show that it intended the policy on prices and incomes to be effective. Further consideration should be given to all aspects of the problem by the Economic Development Committee. In the meantime it was important to seek to create the best possible climate of opinion in which references could be made to the National Board for Prices and Incomes.

The Cabinet—

(1) Took note of the First Secretary's summing up and of the points made in discussion.

(2) Took note that the First Secretary would arrange for the Economic Development Committee to consider further the issues involved.

Cabinet Office, S.W.1,
15th June, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 24th June, 1965,
at 9.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Tom Fraser, M.P., Minister of Transport

The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

Also present:
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Miss J. J. Nunn
Mr. D. S. Laskey
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Prime Minister said that in the discussion of Southern Rhodesia at the Commonwealth Prime Ministers' Meeting, the African Prime Ministers had spoken with restraint but with great firmness. They proposed that the United Kingdom Government should at once summon a constitutional conference; if Mr. Smith, the Southern Rhodesian Prime Minister, did not agree and did not release the African nationalist leaders, the United Kingdom Government should suspend the present Constitution and impose direct rule. The African Prime Ministers were supported by all the other Prime Ministers at the Meeting except those of Australia and New Zealand. We had described the discussions which were taking place with Mr. Smith and the five principles on which we were seeking his agreement. If these negotiations were successful a constitutional conference would naturally follow. It was however unrealistic to suppose that we could compel Mr. Smith to accept our orders and we could not contemplate the use of force. It was clear that the African Prime Ministers would insist on some advance by the United Kingdom Government beyond the position set out in the communique issued after the 1964 Commonwealth Prime Ministers' Meeting; if this were not accepted they might well leave the Commonwealth. He therefore proposed to offer, for inclusion in the final communique, an undertaking that, if the discussions with Mr. Smith did not lead to a constitutional conference in a reasonably short time, the United Kingdom Government would be ready to consider whether to promote such a conference in order to ensure Rhodesia's progress to independence on a basis acceptable to the people of Rhodesia as a whole. There was some risk that this would lead to a unilateral declaration of independence (UDI), but on balance this seemed unlikely. Mr. Smith's attitude was at present reasonable and the danger of a UDI had for the time being receded. An undertaking in these terms would not commit the United Kingdom Government as regards the date for a constitutional conference and although the present situation could not continue indefinitely it should not be necessary to consider calling such a conference until towards the end of the year. Nor would the United Kingdom Government be finally committed to calling a constitutional conference if, in the circumstances at the time, it appeared that to do so would have disastrous results.

In discussion there was general agreement that an undertaking on the lines described by the Prime Minister was the minimum which was likely to be agreed by the African Prime Ministers and that it did not involve an unacceptable commitment for the United Kingdom.

The Prime Minister said that the proposal for a Commonwealth Mission on Vietnam was supported by all the Commonwealth countries except Tanzania and Kenya. The opposition of these two countries seemed to be due partly to strong Chinese influence amongst some members of their delegations, and partly to a desire not to
commit themselves in advance of the forthcoming Afro-Asian Conference in Algiers, which they regarded as more important than the Commonwealth Prime Ministers' Meeting. They had been correspondingly affected by recent events in Algeria and might now be having second thoughts about their position. One important result might well be a decline of Chinese influence among the Afro-Asian members of the Commonwealth. The initial negative responses from Moscow, Peking and Hanoi need not be taken to represent the final position of the Governments concerned. The establishment of the Mission could widen the rift between the Soviet Union and China and it was not to be excluded that the Russians might be pressing the North Vietnamese to receive the Mission in Hanoi. The view of the Commonwealth Prime Ministers was that the very fact that Commonwealth countries had divided views about Vietnam strengthened the position of the Commonwealth as a whole on this issue. President Nkrumah of Ghana was in favour of the Mission visiting those Governments who would receive it and the general feeling amongst the Commonwealth Prime Ministers was that we should stand by the initiative taken, in the hope that the pressures it had generated would in time work on the Soviet and North Vietnamese Governments. The United States Government had welcomed the establishment of the Mission and there was reason to believe that it would lead to a more flexible American attitude and a willingness to negotiate terms not only for a conference on Vietnam but also for a cease-fire in advance of a conference. A working party was considering guide lines for the Mission and Ghana had put forward proposals which were extremely reasonable on almost all points. Subject to agreement in the working party, these would be put to the plenary meeting and they might well receive unanimous endorsement including that of Tanzania and Kenya.

The Cabinet—

Took note, with approval, of the Prime Minister's statements.

The Foreign Secretary said that the overthrow of the Algerian President, Ben Bella, by the Vice-President and Minister of Defence, Colonel Boumedienne, appeared to be due to personal rivalries. Boumedienne had the support of the Army and the Police but there had been some spontaneous demonstrations in favour of Ben Bella. The attitude of the new Government was still uncertain but it seemed likely that they would be more concerned with Arab and Islamic affairs than with the Soviet Union or China. The new Government had been immediately recognised by the People's Republic of China, no doubt in the hope that this would encourage the Algerian Government to hold the Afro-Asian Conference as planned. In our own case it did not seem that any formal act of recognition would be necessary if the new Government maintained itself in power.

The Cabinet—

Took note of the Foreign Secretary's statement.

Cabinet Office, S.W.1.
24th June, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 1st July, 1965,
at 10.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs (Items 1-6)
The Right Hon. Lord Gardner, Lord Chancellor
The Right Hon. Dennis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government (Items 1-4)
The Right Hon. R. J. Gunter, M.P., Minister of Labour (Items 1-5)
The Right Hon. Frederick Lee, M.P., Minister of Power

The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science (Items 1-4)
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development (Items 1-6)

The following were also present:
The Right Hon. John Diamond, M.P., Chief Secretary, Treasury (Items 2-6)
Mr. George Willis, M.P., Minister of State, Scottish Office (Items 5-7)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Miss J. J. Nunn
Mr. J. H. Locke

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The Cabinet were informed of the business to be taken in the House of Commons in the following week.

The Lord President said that, owing to the time occupied by debates on the Finance Bill, it would almost certainly be necessary for Parliament to sit during the first week in August. It was hoped to arrange the business, however, so that divisions on matters of importance would be avoided and there was no intention of prolonging the sitting into the second week of August. It should be possible to complete Government business by sitting for eight days in October, but this would mean that certain Bills would not receive Royal Assent until the autumn. These would probably be the Race Relations, Redundancy Payments, and Rent Bills, and possibly the Trade Disputes Bill. It was proposed to take the remaining stages of the Murder (Abolition of Death Penalty) Bill after 7 p.m. on 13th July, but there was no possibility of finding further time if the Bill failed to secure Third Reading on that occasion.

In discussion the following main points were made:

(a) The Government were liable to be embarrassed if the Trade Disputes Bill and the Control of Office and Industrial Development Bill were not passed until October, and arrangements should if possible be made to secure their passage before the Recess.

(b) It was desirable also to secure the passage of the Race Relations Bill, but, while the remaining stages of the Bill in the House of Commons were likely to be completed before the Recess, particularly if the Government's supporters refrained from moving amendments on Report, there could be no certainty of finding time for the consideration of Lords' amendments.

(c) Delay in passing the Rent Bill would not be inconvenient, since there would be advantage in bringing the Bill into operation soon after Royal Assent and some time was required to make the necessary administrative arrangements.

(d) It would be difficult for the House of Lords to sit longer or resume earlier than the House of Commons, but it should be possible for them to complete their business by sitting until 4th or 5th August and for a short period in October.

(e) On the Murder (Abolition of Death Penalty) Bill, half a day should be sufficient to dispose of the amendments relating to the penalty for murder and, if the Speaker were prepared to accept the closure, to secure Third Reading by a reasonable hour; but there would be a serious risk of losing the Bill if time were spent on an amendment put down by the sponsor, Mr. Sidney Silverman, to remove the clause (clause 3) limiting the operation of the Bill to five years. Mr. Silverman should accordingly be informed that, while the Government were willing to provide a half day for the remaining stages of the Bill, they were not prepared to jeopardise their own legislation in order to secure its passage, and that this time would be made available only on condition that he withdrew his amendment. It should be impressed on the sponsors of the Bill that....
they should confine their own speeches to the minimum, and representations might be made to the Speaker on the question of the closure.

The Cabinet—

(1) Took note of the arrangements which the Lord President proposed to make for securing the completion of the Government's business during the remainder of the Session.

(2) Invited the Lord President—

(a) to inform the sponsors of the Murder (Abolition of Death Penalty) Bill that the Government were prepared to provide a half day for the discussion of the remaining stages of the Bill in the House of Commons, provided that their amendment to delete clause 3 were withdrawn; and

(b) to consider the advisability of making representations to the Speaker on the acceptance of the closure in the debate on the Report stage of the Bill.

2. The Foreign Secretary said that the régime under Colonel Boumedienne, which had assumed power in Algiers after the Government of President Ben Bella had been overthrown in the recent coup d'état, appeared to have established effective control over the country. It would therefore be appropriate that we should continue to maintain normal diplomatic relations with Algeria; but there should be no need at this stage to extend formal recognition to the new Government.

The Foreign Secretary said that at the recent meeting of Western European Union (WEU) which he had attended, the other member countries had responded favourably to the initiative which we had taken at the recent meeting of the Ministerial Council of the European Free Trade Association (EFTA) to seek to establish closer links between EFTA and the European Economic Community. It was clear, however, that they would expect to be given more detailed information at the next quarterly meeting of WEU and that they would watch developments closely.

The Prime Minister said that the project for a Commonwealth Mission on Vietnam which had emerged from the recent Meeting of Commonwealth Prime Ministers had met with a varied reception from the countries concerned. The Governments of the United States and South Vietnam had expressed their willingness to receive the Mission; the Government of the People's Republic of China had rejected it without qualification; the Government of the Soviet Union had evaded a direct response by suggesting that the effective decision lay with the Government of North Vietnam; and the latter, who
were clearly subject to conflicting pressures from the Chinese and Soviet Governments, had so far maintained an ambiguous attitude. There had recently been some indication, however, that, although they might refuse to receive the Mission as a whole, they might be disposed to accept its Ghanaian and Nigerian members. A suggestion of this kind would probably be unacceptable to the Mission which had decided, before the end of the Meeting of Commonwealth Prime Ministers, that the Mission should seek to act in unity in all its activities; and it would therefore be necessary to maintain the pressure which was now being exerted on the Government of North Vietnam to receive the Mission as a whole.

The Cabinet—

Took note of these statements.

3. The Chief Secretary, Treasury, said that his recent discussions with the Federal German Government in Bonn about the future of the German Offset Agreement had reached a reasonably satisfactory conclusion. The Agreement currently in force, which would expire in March 1966 had bound the Federal Government to do no more than to offset “as far as possible” the foreign exchange costs of maintaining United Kingdom Forces in Germany. Our expenditure on this account was likely to run at the rate of £85 million a year; and, during the first 15 months of the period of the Agreement, the Federal Government had contributed no more than £30 million by way of offset. His objective in the discussions had therefore been, in effect, to negotiate payments of some £50-£60 million a year.

The new Agreement which had been finally concluded envisaged that the period in question would be extended for a further year to 31st March, 1967, in respect of which the Federal Government had accepted a reasonably firm commitment to contribute about £54 million. Moreover, they had undertaken to pay £42 million on account by the end of July which would increase the payment in respect of the second year of the three-year period as a whole to £50 million. This would be sufficient to enable the Frozen Arms Account, which was at present blocked, to be released; and it had been agreed that this account should provide finance, amounting to some £23 million, together with a similar sum from German merchant bankers, for additional United Kingdom exports.

In sum, therefore, we might hope that, if the new Agreement were honoured, we should receive about £170 million over the three-year period as a whole by way of offset to the foreign exchange costs of our Forces in Germany. This was not far short of our original objective; and the fact that the settlement had been reached either without any threats about removing our troops in Germany
or on the other hand giving any commitment to maintain them there after the end of the three-year period was an additional reason for satisfaction.

In discussion it was noted that there would be discussion between the Treasury, the Ministry of Overseas Development and other Ministries concerned on the manner in which German finance for additional United Kingdom exports to developing countries might be utilised under the new Agreement.

The Cabinet—

Took note, with approval of this statement and congratulated the Chief Secretary, Treasury, on the successful outcome of his negotiations about the Anglo-German Offset Agreement.

4. The Cabinet had before them a memorandum by the Lord President of the Council (C (65) 85) to which was annexed a provisional legislative programme for 1965-66.

The Lord President said that the proposed main programme for the next Session was devoted largely to Bills to implement the Government’s social policies, but time must also be allowed for Bills which it had not been possible to pass in the present Session and for others which might become necessary either for economic reasons or as policy in other fields developed. Some Bills at present included in the programme might not in the event come forward and others might be delayed, in which case it would be convenient to draw on the Bills which had been placed in the reserve list (List C). It was proposed that a small number of uncontentious Bills should be introduced with a view to being referred to the Second Reading Committee which the House of Commons was expected to establish following the report of the Select Committee on Procedure, but this would be on the understanding that if objection were taken to the reference of a particular Bill to the Second Reading Committee the Government would not necessarily find time for it in their main programme.

In discussion the following main points were made:

(a) Additional Bills might be required on The Gambia (on becoming a Republic); on the Constitution of Canada (to deal with the problem of Quebec); on Government Contracts (arising out of Sir John Lang’s report); and, if current negotiations were brought to a successful conclusion, to establish a free trade area with the Irish Republic. Time should also be found, if possible, for a short Bill enabling the Crown to dissolve Convocations otherwise than on the dissolution of Parliament.

(b) If it were decided to reorganise the Army and Air Force Reserves, the Reserve and Auxiliary Forces Bill would have to be brought into the main programme. It would be necessary to continue the Army and Air Force Acts by legislation before 31st December, 1966.
(c) It would be important, in view of the Government’s pledges, to introduce early in the Session the Agriculture Bill; and measures on Leasehold Enfranchisement, Commonwealth Immigration, Commonwealth Secretariat and Slum Clearance (Compensation). The Bill on Local Government Finance should at least receive its Second Reading before Christmas in order that local authorities might take its provisions into account in fixing their rate demands for the succeeding year. The Government should hesitate, however, before committing themselves to a measure on Pirate Broadcasting.

(d) It would also be desirable to provide time for a Law Reform Bill arising from the work of the Law Commission.

The Prime Minister, summing up the discussion, said that the proposed programme was a balanced and attractive one and had the additional merit of being composed in the main of Bills which would have fairly wide support so that the intensity of debate might be reduced in the next Session. It would be necessary to consider the programme again in the autumn, but meanwhile the Ministers concerned should press forward with the preparation of the Bills in the main lists. Priority, both in seeking approval of policy and in drafting, should be given to Steel; Land Commission; Local Government Finance and Housing (Financial Provisions)—including the corresponding Scottish Bills; Income Guarantee (subject to the outcome of the review of public expenditure); and Earnings-Related Benefits.

The Cabinet—

(1) Approved, subject to the points made in their discussion, the provisional legislative programme for 1965-66.

(2) Invited the Ministers concerned to proceed as a matter of urgency with the preparation of Bills included in Lists A.1 and B, giving priority to those mentioned by the Prime Minister in his summing up of their discussion.

5. The Cabinet had before them memoranda by the First Secretary of State and Secretary of State for Economic Affairs (C (65) 87) and by the Financial Secretary to the Treasury (C (65) 89) on proposals for improving the financial position of the National Coal Board (NCB) and in particular for a capital reorganisation.

The First Secretary of State said that the financial position of the NCB was deteriorating seriously, largely because it had planned during the 1950s for an annual production of at least 220 million tons whereas demand was now down to 190 million tons and would undoubtedly decline still further in the next few years. Their deficit for 1965-66 was likely to be of the order of £50 million and urgent action was required. The Ministerial Committee on Economic Development had agreed that a substantial part of the NCB’s liabilities should be written off at least to the extent of £250 million,
representing about £90 million of accumulated losses and some £150 million representing assets which are no longer of any economic value to the Board. It was also clear that further assets of the order of £150 million would become valueless over the next few years. With the exception of the Treasury, the Committee had considered that it would be better to write off this amount immediately rather than at later intervals.

The Committee had also considered the possibility of giving to the NCB a specific subsidy for a limited period to cover the costs of operating and ultimately closing uneconomic pits, provided that the National Union of Mineworkers (NUM) were prepared to commit themselves to a definite scheme for speeding up closures of such pits. The subsidy might begin at £15 million a year and be tapered off to nothing by 1970 when the run-down was completed. It was important to maintain the willingness of the NUM to co-operate in closures, and such a subsidy would also avoid the necessity for a price increase this year of more than 1 per cent overall. Such an increase might also be selective in its incidence, so reducing its general impact in the context of the prices and incomes policy.

*The Minister of Power* said that it would be desirable to make some distinction between the write off of the first £250 million and that of £150 million in view of the fact that the latter represented assets still of some economic value to the Board. He was, however, opposed to a policy involving subsidies. There could be no guarantee that these would in practice be gradually reduced; on the contrary there would be great pressure on the Government by the mineworkers to maintain them and to use them to prolong the life of uneconomic pits. The NCB themselves did not want subsidies. The run down in the labour force in mining was now so fast that the problem was really one of regrouping the available labour force and of providing of alternative employment in certain areas. A price increase was necessary this year and even with a write off of £400 million it would need to be of the order of 2 to 3 per cent.

*The Chief Secretary, Treasury,* said that there were objections to writing off assets which were still of economic value to the NCB. Nevertheless, it seemed realistic to assume that such assets, to a value of some £150 million, would soon become worthless; and on balance it would be preferable to write off the whole sum now rather than do so by instalments. He was, however, strongly opposed to the introduction of subsidies which would distort the pattern of the industry, lead to pressure to keep pits open rather than facilitate earlier closure and were not in any case wanted by the NCB.

In discussion the following points were made:

(a) There would be great difficulty in persuading the mineworkers to accept a reduction in coal output to 175 million tons a year and the NCB were most anxious not to publicise a long-term closure programme because of its effect in the industry.
(b) The introduction of subsidies would in effect transfer from the NCB to the Government responsibility for phasing the closure programme.

(c) Further financial assistance was required to provide additional employment in the mining areas concerned in Scotland, Wales and the North-East. The capital reorganisation might well be criticised as merely the acceptance of a failure by a nationalised industry to direct its investment properly, and the statement on Government policy should include some positive measure.

(d) The regional price surcharge should be reconsidered whatever decision was taken about the introduction of subsidies.

(e) If coal prices were increased substantially this would accelerate the fall in demand and increase the difficulties of the industry.

The Prime Minister, summing up the discussion, said that there was general agreement with the proposal to write off this year £400 million of the NCB's liabilities and to announce this immediately. There was, however, considerable objection to seeking to facilitate earlier closures by the provision of subsidies and it would be preferable to provide assistance for alternative means of employment in the areas concerned. The Minister of Power should therefore include in his statement an indication that the Government was prepared to enter into discussions with the industry about the establishment of a coal industry fund to deal with the social and economic problems caused by the need to speed up the closure of uneconomic pits. The main expenditure from such a fund would be on expanding new industrial development in certain areas by the Board of Trade, although it might also be possible to meet other direct social costs of the closure programme from the fund. Its establishment must be conditional on the acceptance by the coal industry, including the mineworkers, of the need for a rapid further closure programme. This would be a positive proposal even though it would not assist in keeping down the price of coal. The Minister of Power should agree the text of his statement in the House of Commons with the First Secretary of State and the Chief Secretary, Treasury and with himself. The question of the regional surcharge should be further considered by the Minister of Power, with the Secretary of State for Scotland and other Ministers concerned, as a separate issue.

The Cabinet—

(1) Agreed that a capital reorganisation of the National Coal Board, involving the immediate writing off of £400 million to cover liabilities, should be undertaken.

(2) Agreed that the Minister of Power should offer to discuss with the coal industry the establishment of a coal industry fund on the lines indicated in the Prime Minister's summing up.
(3) Invited the Minister of Power to announce these decisions in the House of Commons later that day and to seek the agreement of the Prime Minister, the First Secretary of State and the Chief Secretary, Treasury, to the terms of the statement.

(4) Invited the Minister of Power to arrange for a review of the regional surcharge.

6. The Cabinet considered a memorandum by the Home Secretary (C(65)86) about home defence and the Territorial Army.

_The Home Secretary_ said that in their review of the home defence measures required up to 1971–72 the Ministerial Committee on Civil Defence had reviewed the usefulness of the reserve army for home defence. The Ministry of Defence were considering in parallel their future requirement for reserve forces. The reserve army would provide about 161,000 men for home defence on mobilisation, including 84,000 reservists, who under the Army Reserves Act, 1964, would only be available until 1969. Of this total, about 152,000 were in units at the disposal of the civil authorities, but not earmarked for specific tasks. Their primary role would be to help the police in maintaining public order in circumstances which might involve a widespread breakdown of civil authority. The Territorial Army (TA) cost about £35 million a year and the Army Emergency Reserve a further £3 million. If the reserve army were reorganised on the basis that no units were retained for home defence purposes, there would be a saving of about £20 million a year.

Under present plans about 150,000 personnel from the Regular Forces would be available to support the civil authorities after an attack, although home defence would not be their primary role and there were large areas of the United Kingdom where none were located. Having regard to the reduced threat of attack, the Home Defence Review Committee considered that while the reserve forces could give much valuable assistance to the civil authorities after an attack, the expenditure of a large annual sum on an organisation which did not appear to them to be of first importance for national survival could not be supported on home defence grounds. There was considerable support for this view in the Ministerial Committee on Civil Defence and it had been suggested that if further steps were necessary for the preservation of order in an emergency, the best course might be to put further emphasis on police plans and perhaps to procure the support of other regular peace time services, including the assumption by the Post Office of the duties of 1,000 Territorials allocated to signals work. The Ministry of Defence supported the conclusion of the Home Defence Review Committee and was considering a reorganisation of the reserve army for military duties overseas on the assumption that no units were retained for home defence. The maintenance of a home defence role for the reserve army would require the recasting of these plans with a substantial
reduction of the saving involved to about £8–£10 million. Moreover it would be difficult to secure the primary advantage of military forces for home defence purposes, namely discipline in a cohesive organisation, if reserve units were raised solely for assistance to the civil defence services and the Ministry of Defence would see serious objection to raising a force of this nature since it might adversely affect volunteering for the reserve army units required for purely military duties. Nevertheless, some members of the Ministerial Committee urged that the TA should be retained primarily for home defence purposes on the ground that the preservation of order after nuclear attack would be seriously imperilled if it were disbanded. The alternative courses were thus either:

(i) to accept that expenditure on the reserve forces could not be justified solely on home defence grounds and to examine other arrangements for assisting the police in the event of nuclear attack; or

(ii) to retain the home defence role of the reserve forces with a consequent loss of saving of up to £20 million a year depending on the scale of forces to be provided.

His own view was that the requirements of civil defence made it necessary to retain the home defence role. Other issues of policy relating to our future home defence policy were being considered separately and would be brought before the Cabinet at a later stage.

The Secretary of State for Defence said that the requirements for the maintenance of government after nuclear attack must necessarily be speculative. It was impossible to be sure what forces would be available in case of need, or whether there would have been time to call up the TA before the attack was made. The Government could not prepare for every contingency and the present risk of nuclear war was not such as to justify an expenditure of £20 million a year on the civil defence role of the TA. Moreover, the TA had never been informed that its main function would be to aid the police in the maintenance of order after attack. Such an announcement would seriously damage recruitment and would hamper the reorganisation of the reserve forces for their military role. Nor would it be practicable to recruit a force exclusively for a civil defence role. A decision was urgently required, since it would be necessary to put proposals to Ministers on the reorganisation of the reserve forces and make a statement in Parliament before the Recess if consultations with the Territorial Associations were to be completed in time for a Bill introduced in the next Session.

In discussion there was some support for the view that the home defence role of the TA should be retained. Without such forces it would be impracticable for the police to maintain order, or safeguard stocks of food, particularly in substantial areas of Great Britain such as Scotland and Wales, where no Regular Forces were normally stationed. The balance of view was, however, that the saving that would be obtained by the reorganisation of the reserve forces to
exclude a home defence role was essential if the necessary economies in defence expenditure were to be obtained. Moreover, on defence grounds alone some reorganisation of these forces was required and this could not satisfactorily be carried out if the TA were to retain their present role. In addition, there might, even from the home defence view, be advantage in considering alternative means more directly associated with the local authorities for preserving public order after attack, since it was doubtful whether in the event it would be practicable to call out the TA in time to enable it to assume its civil defence function.

The Prime Minister, summing up the discussion, said that the balance of opinion was that expenditure on the reserve forces could not be justified solely on home defence grounds. The Secretary of State for Defence should consider the reorganisation of the forces accordingly and circulate proposals to the Ministers concerned for their consideration. It would also be necessary to examine other arrangements for assisting the police to maintain order in the event of nuclear attack. The implications of this decision for our future civil defence policy would in the first instance be the task of the Home Defence Review Committee and subsequently for consideration by the Ministerial Committee on Civil Defence. Meanwhile, it was of great importance that secrecy should be maintained on the conclusions which had been reached on the future of the reserve forces until such time as a public statement could be made.

The Cabinet—

(1) Approved alternative (a) in paragraph 12 of C (65) 86.

(2) Invited the Secretary of State for Defence to circulate to the Ministers concerned his proposals for the consequential reorganisation of the reserve forces.

(3) Invited the Home Secretary, in the light of the Prime Minister's summing up, to arrange for the Ministerial Committee on Civil Defence to consider the possibility of making other arrangements for assisting the police in the preservation of order in the event of nuclear attack.

7. The Cabinet considered a memorandum by the Home Secretary (C (65) 84) on Sunday Observance.

The Home Secretary said that the report of the departmental committee on the Law on Sunday Observance had been published in December and subsequently debated in both Houses of Parliament. In debate, speedy action on the report had been urged and assurances given that it would not be disregarded. The Committee's recommendations fell under three heads, relating respectively to entertainment and sport, trading and conditions of employment. Those on trading were being considered in conjunction with a possible amendment of the law relating to week-day shop closing hours. It would be appropriate to have a separate Bill on Sunday entertainment and sport and his proposals related solely to these aspects.
Some of the Committee's recommendations, relating to the hours of opening public places of entertainment and to the arrangements for sports matches had in debate attracted some criticism. There was also strong feeling, particularly in Wales, against the removal of restrictions. Nevertheless, the Government would be subject to criticism if they failed to introduce legislation. The Home Affairs Committee had concluded that the best course would be for the Government to introduce a Bill to give full effect to the Committee's recommendations on entertainment and sport, but in doing so to make it clear that the Government were not putting forward their own conclusions, but merely giving Parliament an opportunity to pronounce upon them. All decisions would be left to a free vote. Recommendation 31 of the Committee's report proposed restrictions on the employment of persons on Sundays in connection with certain entertainments. While this was essentially a matter of the protection of workers' interests it seemed clear that any legislation on Sunday observance would be expected to include provisions on this subject and he proposed to consult the Minister of Labour on this recommendation and include appropriate provision in the proposed Bill. It would be desirable for him to make an early announcement of the Government's intentions.

The Secretary of State for Wales said that while he did not oppose a statement on the lines advocated by the Home Secretary it would be preferable that this should follow rather than precede an announcement of the Government's decision on the introduction of a Bill for Leasehold Enfranchisement.

In discussion there was some support for the view that it would be inadvisable for the Government to give any indication at the present time that it would take action on the lines proposed by the Home Secretary. Government sponsorship of a Bill, even in the manner proposed, would be productive of political embarrassment and would also reduce the Parliamentary time available for the passage of the Government's own measures. On the other hand it was argued that since there had been public and Parliamentary pressure for the appointment of the Committee, and since debate in both Houses had shown Parliamentary support for early action to be taken, it was the duty of the Government of the day to provide Parliamentary opportunity for this to be done.

In further discussion on the manner in which such opportunity might best be provided, it was suggested that as an alternative to the Home Secretary's proposal, Parliamentary time might be provided for a motion by a Private Member proposing that a Bill be introduced to carry out the recommendations of the Report. If the motion were carried the Government could then provide assistance in drafting the Bill, but still maintain an attitude of neutrality to the Committee's recommendations. If the motion were lost, the issue would not then arise. Alternatively, it might be preferable for the Bill to be introduced by a Private Member in Private Members' time. In any event, it would be important to the Government's legislative...
programme that no commitment should be made by the Government to finding Parliamentary time for the introduction of such a Bill in the next Session.

The Prime Minister, summing up the discussion, said that the balance of opinion was that some facilities should be provided by the Government to enable Parliament to take a decision on the recommendations of the Committee's report, and that this could best be achieved by arranging for the Bill to be introduced in Private Members' time by a Member successful in the Ballot. In that event, the Government could offer facilities for the drafting of the Bill while maintaining its attitude of neutrality to the Committee's recommendations. In any event there should be no suggestion that the Government would be able to provide Parliamentary time for such a Bill in the next Session. The Home Secretary might make a statement in Parliament accordingly on the next convenient opportunity.

The Cabinet—

Invited the Home Secretary to make a Parliamentary statement on the lines indicated by the Prime Minister in his summing up.

Cabinet Office, S.W.1,
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1., on Thursday, 8th July, 1965, at 10.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. Kenneth Robinson, M.P., Minister of Health (Item 3)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury
Mr. Maurice Foley, M.P., Joint Parliamentary Under-Secretary of State, Department of Economic Affairs (Item 3)

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Miss J. J. Nunn
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

**Oversea Affairs**

**European Economic Community**

*Previous Reference: CC(65) 30th Conclusions, Minute 5*

**Iraq**

**Vietnam**

*Previous Reference: CC(65) 35th Conclusions, Minute 2*

**Commonwealth Immigration**

*Previous Reference: CC(65) 6th Conclusions, Minute 5*

2. The Foreign Secretary said that in the latest round of negotiations within the European Economic Community (EEC) the French Government had been concerned to press financial proposals in connection with agriculture which would have been of maximum advantage to themselves. The other five Governments had sought to extract, in return, concessions which would have emphasised and enhanced the supra-national character of the Community. As a result the negotiations had ended in a deadlock; and it was not clear how the two parties to the dispute would now react. The repercussions in a wider context, e.g., in relation to the Kennedy Round of tariff negotiations, could not but be unfavourable; and we should therefore refrain from appearing to derive any satisfaction from the present situation. On the other hand it was not impossible that circumstances would now develop in such a way that the question of United Kingdom participation in the Community might be re-opened; and we should be prepared for this possibility.

The Foreign Secretary informed the Cabinet that there was evidence of growing tension in Iraq between President Arif and a faction which was disposed to lean further towards the United Arab Republic; and there was some risk of a *coup d'etat* in Baghdad, designed to overthrow the present Government. It was unfortunate that these disturbed conditions might delay the ratification by the Iraqi Government of the new agreement which they had recently concluded with the oil companies.

The Foreign Secretary said that an opportunity had recently arisen to establish informal contact with the Government of North Vietnam and to seek to ascertain their attitude towards the proposal, to which they had as yet made no formal reply, that the Commonwealth Mission on Vietnam should visit Hanoi. As a result the Joint Parliamentary Secretary to the Ministry of Pensions and National Insurance, Mr. Harold Davies, M.P., would probably arrive in Hanoi that day; and further developments must now await his report.

In discussion there was general agreement that, since there appeared to be no prospect that any of the parties to the hostilities in Vietnam would relax their efforts of their own accord, it was incumbent on us to seek to promote the purposes of the Commonwealth Mission by whatever means were open to us.

3. The Cabinet had before them memoranda by the Lord President of the Council (C (65) 90 and 91) and by the Home Secretary (C (65) 92 and 93) on various aspects of Commonwealth immigration into the United Kingdom.

The Lord President said that it was necessary to reach early decisions on recommendations arising from Lord Mountbatten's
recent mission to certain Commonwealth countries if the Government were to fulfil their undertaking to make a statement of Government policy and issue a White Paper before the Recess. Lord Mountbatten had been commissioned to explain to other Commonwealth Governments the problems created in the United Kingdom by the present scale of immigration and to consider what new measures might be adopted, particularly in the countries of origin, to regulate the flow of immigrants. His recommendations had been considered by the Commonwealth Immigration Committee, who were prepared to endorse them subject to certain modifications set out in C (65) 90.

The Cabinet then discussed the issues involved under the following heads:

Workers

The Lord President said that the current issue of immigration vouchers for workers was some 20,000 a year, of which some 14,000 were taken up in 1964. It was however to be expected that a much higher proportion would be taken up if the number of vouchers were drastically reduced. The Committee considered that the figure of 10,000 vouchers a year recommended by Lord Mountbatten for the future level of immigration was too high and that a more realistic figure would be 7,500. This should be considered in relation to the number of aliens admitted for employment, of whom some 9,000 were allowed to take up permanent residence in 1964. This was, however, an exceptionally high figure and the average in recent years had been of the order of 6,000. The Committee recommended the abolition of Category C vouchers, which related primarily to unskilled workers; and the Minister of Labour had suggested that Category A and B vouchers should be issued according to a restricted list of eligible occupations. These would be:

(i) doctors, dentists and nurses;
(ii) qualified teachers;
(iii) graduates in science or technology with two years postgraduate experience;
(iv) non-graduates with certain professional qualifications and two years' experience after qualifying;
(v) persons with the offer of employment in hospitals;
(vi) persons with offers of employment in public transport.

It would be impracticable not to reveal publicly these classifications and the criteria required. Some members of the Committee however took the view that by restricting categories of Commonwealth employment voucher holders to those with special qualifications of value to this country, we should not only be treating these countries less favourably than foreign countries but also attracting from them the skilled professional workers whose services they badly needed themselves. In addition we were committed to make special provision for immigrants from Malta for the succeeding two years; and we also had a special responsibility for the remaining Colonial territories, some of which might suffer undue hardship from the imposition of rigid and limited categories of employment.
In discussion it was suggested that, while the social and political difficulties must necessarily impose a strict limit in present circumstances on the numbers who could be admitted, there would be little difference in the level of social difficulties caused by the admission of 10,000 as compared with 7,500 and the shortage of labour made it desirable to admit the higher figure. This conclusion was reinforced by the special considerations relating to Malta and the remaining Colonial territories. On the other hand, in considering the number of immigrants admitted for employment it was necessary to bear in mind that the admission of each Commonwealth immigrant worker involved on average the admission of a further five dependants. The true comparison was therefore between 60,000 and 45,000. Moreover the dependants imposed a particularly heavy strain in present circumstances on housing and on educational facilities and it was necessary for social reasons to regulate the pace of entry, in order to give the necessary time for the assimilation of immigrants into the community.

In further discussion the view was widely expressed that Commonwealth immigrants should at the least be no less favourably treated than aliens. While such comparison might reasonably be related primarily to the conditions of entry, and in no aspect was it envisaged that the treatment of Commonwealth immigrants should be less favourable, regard must also be had to the total numbers of each who were admitted. On this view, it was suggested that the proposed figure of 7,500 might compare unfavourably with the admission of over 42,000 alien workers during 1964, of whom over 9,000 had been accepted for permanent residence, particularly when allowance was made for the fact that a considerable proportion of the Commonwealth immigrants would not remain as residents of the United Kingdom. On the other hand, it was accepted that the figure for aliens in 1964 was substantially above the average in recent years; and in comparing these figures due regard must be paid to the much higher number of dependants admitted in respect of each immigrant Commonwealth worker. It could properly be maintained, therefore, that, on any fair basis of comparison, the total number of Commonwealth immigrants accepted was substantially larger than the number of alien immigrants.

Discussion then turned to the categories of employment for which provision should be made within the total number of workers which might eventually be agreed. It was urged that our responsibilities to Malta and to the remaining Colonial territories necessitated adequate provision for the admission of unskilled workers and that these should not be restricted to employment in hospitals or public transport. While it might be acceptable to state that current social difficulties required a limitation on the total number who could be accepted, such an argument would be incompatible with a division of the vouchers into categories of individuals of particular value to the United Kingdom economy. Furthermore, undue emphasis on the admission of professional workers in the categories proposed would deprive Commonwealth
countries of the skilled personnel of whom they were so greatly in need and would in effect constitute technical assistance in reverse. On the other hand many of the professional individuals concerned did not become permanently resident in the United Kingdom; and their experience while in this country constituted a form of training of considerable value to them and to their countries on their return. It appeared, in the light of experience over the previous few years, that the total number of professional individuals accepted in the four categories proposed might average approximately 5,500 a year and that this would enable adequate provision to be made for the admission of a limited number of unskilled workers to meet special needs both overseas and in this country.

Consideration was also given in discussion to the proposals recently put forward by the Prime Minister of Trinidad and Tobago, Dr. Eric Williams, for the establishment of a training scheme in that country to provide for the training of Commonwealth immigrants to meet employment needs in the United Kingdom. It was the general view, however, that provision of such special training was not required in the present circumstances, having regard to the types of worker who might be admitted. Moreover, a scheme of this kind would be unlikely to be welcome to other Commonwealth countries concerned.

The Prime Minister, summing up this part of the discussion, said that the Cabinet might agree that the conflicting considerations could best be met by agreement to admit annually 8,500 workers, a figure which should be regarded as allowing for our commitment to Malta over the next two or three years. This might suitably be met by the admission of 1,000 Maltese immigrants a year within the total of 8,500; but there should be no public statement to that effect, nor should the total figure otherwise be divided into quotas for separate countries. Nevertheless, on the basis of recent experience in relation to the admission of professional workers, such a figure should make adequate allowance for the admission of unskilled workers and so would provide for the special needs of the remaining Colonial territories. There was general agreement that the four categories of professional workers proposed in C (65) 90 should be accepted and made public. There should, however, be no separate categories of employment, whether on the basis of the proposals in C (65) 90 or otherwise, for the admission of unskilled workers, whose admission should be governed by the date of their applications. In the light of the recent statistics of the admission of foreign workers it would not be necessary to impose additional restrictions on their admission in order to continue to give preferential treatment to Commonwealth immigrants. If, however, it later appeared that the number of foreign workers accepted for settlement was likely to average more than some 6,000 a year, the issue should be further considered by the Cabinet.

The Cabinet—

(1) Agreed that 8,500 vouchers a year should be issued for Commonwealth immigrants on the conditions indicated by the Prime Minister in his summing up.
(2) Invited the Home Secretary to keep under review the number of aliens accepted for permanent settlement in the United Kingdom and to bring the matter before them if it appeared that the average was likely to rise above 6,000 a year.

Dependants

The Lord President said that it was estimated that approximately half a million dependants of Commonwealth immigrants already in this country were entitled to entry under the provisions of the Commonwealth Immigration Act, 1962. If a substantial proportion of this number were to seek admission in the near future, a very heavy strain would be imposed on housing and other services; and the Committee had therefore considered whether there might be a moratorium on their admission. They had concluded, however, that this would be contrary to our commitments and hence unacceptable. Nevertheless, while the legal right of entry should be preserved, the Committee considered that admission should in future normally be confined to wives and to children under 16, and that the concessionary extensions set out in Command 1716 should be withdrawn, although the Home Secretary should retain the discretion to admit other dependants on compassionate grounds. The Committee had considered various alternatives for verifying the claims of dependants for admittance and had concluded that the best course would be to require immigrant workers to register before a specified date the names and particulars of all their direct dependants. These could then be checked in the country of origin; and certificates could be issued to the dependant immigrants, which they would need to produce on arrival in the United Kingdom in order to secure admittance. Legislation would be needed to enable immigration officers to refuse admittance to dependants arriving without such certificates of registration; and the Home Secretary should have a discretionary power to waive this requirement in compassionate cases.

The Home Secretary said that it would be a breach of faith to impose any special conditions, whether relating to housing accommodation or otherwise, for the admission of the dependants of Commonwealth immigrants already settled here although such conditions could reasonably be imposed on future immigrants. It was however essential to take powers to enable the Government drastically to reduce evasion.

In discussion there was general agreement that the admission of the dependants of immigrants already settled should be confined to wives and to children under 16, subject to the Home Secretary's discretion to allow exceptions in compassionate cases. Various proposals were discussed for the prevention of evasion, including a requirement that new entrants, on admission to the United Kingdom, should be required to be in possession of passports specifying their dependants. It was suggested, however, that such requirements were widely open to evasion and might, indeed, lead to the admission of
even larger numbers of so-called "dependants". Immigration officers already had power to refuse the admission of dependants of whose bona fides they were in doubt; and in considering admission they might suitably take into account whether or not such dependants possessed a certificate of registration on the lines proposed.

In further discussion it was urged that the admission of dependants of new entrants should be conditional on the provision of a certificate that adequate accommodation was available for them. It was however the general view that such a requirement would be impracticable in current circumstances and that the first step must necessarily be the wider registration of multi-occupied houses. The City of Birmingham already enforces such registration; and it might be desirable for national legislation to be passed extending such powers to other local authorities. It would then be possible to consider the imposition at a later date of a requirement that dependants must, as a condition of admission, show that adequate housing was available for them on arrival.

The Prime Minister, summing up this part of the discussion, said that there was agreement that the admission of dependants, both of Commonwealth immigrants already here and of future immigrants, should be confined to wives and to dependants under 16, save for admission at the discretion of the Home Secretary in compassionate cases. Immigration officers should use their existing powers normally to refuse admittance to persons of whose bona fides they were in doubt; and in exercising those powers they should take into consideration whether or not the individuals possessed a certificate of registration of their status as dependants. Further consideration should be given by the Commonwealth Immigration Committee to the need for additional powers for this purpose, whether by legislation or otherwise. Since it seemed doubtful whether the half million dependants of immigrants who were already here would in fact all claim admission to the United Kingdom, save perhaps over a considerable number of years, it would be preferable that this figure should not be used as a basis for public discussion.

The Cabinet—

(3) Agreed that the admission of dependants of Commonwealth immigrants should be restricted in the manner indicated by the Prime Minister in his summing up.

(4) Invited the Lord President to arrange for the Commonwealth Immigration Committee to consider, in the light of their discussion, the need for further powers to enable such restriction to be made effective.

(5) Invited the Minister of Housing, in consultation with other Ministers concerned, to consider whether proposals relating to legislation for the registration of multi-occupied houses should be submitted to the Home Affairs Committee.

Students and visitors

The Lord President said that encouragement should be given to arrangements whereby Commonwealth Governments might vouch
for the *bona fides* of students. When they completed or gave up their studies they should be allowed to take up work only if they would have qualified for a voucher of admission. To ensure that they left on completion of their studies a new general power to repatriate Commonwealth citizens without criminal proceedings or a court recommendation should be used. To meet the problem of students who left their studies for general employment, the most practical solution would be to compel the registration with the police of those students whose *bona fides* were in doubt. This might, however, be considered inappropriate for Commonwealth citizens and would be subject to strong Commonwealth criticism. Other methods of keeping in touch with students might therefore be preferable. The Commonwealth Immigration Committee agreed with the Mountbatten Mission's recommendation that the stay of visitors should be limited to six months, subject to freely granted extensions if good cause were shown.

The *Home Secretary* said that consideration should be given to amending Section 2 of the Commonwealth Immigration Act, 1962, in order to provide a more limited definition of the kind of educational establishment to which students could be admitted.

In discussion there was general agreement that powers should be taken to impose a tighter control on Commonwealth students, on the understanding that in practice such powers would be sparingly used.

The Cabinet—

(6) Agreed that power should be taken to require Commonwealth students whose *bona fides* were in doubt to register with the police.

(7) Agreed that the stay of Commonwealth visitors should normally be limited to six months.

(8) Invited the Lord President to arrange for the Commonwealth Immigration Committee to consider the desirability of amending Section 2 of the Commonwealth Immigration Act, 1962, on the lines advocated by the Home Secretary.

**Conditions of entry**

*The Lord President* said that the Mountbatten Mission had recommended that there should be a general power to impose conditions of entry on all Commonwealth citizens, including voucher holders and entitled dependants. The Committee agreed with this recommendation but considered that the power to require registration with the police should not be exercisable unless expressly conferred by a statutory instrument subject to the affirmative resolution procedure. The general power might also be used to obtain photographs.

The Cabinet—

(9) Agreed that power should be taken to impose conditions of entry in the manner recommended by the Commonwealth Immigration Committee.
Repatriation

The Lord President said that the Committee agreed with the recommendation of the Mountbatten Mission that there should be power to repatriate Commonwealth citizens without the necessity of a criminal conviction or the recommendation of a court of law. They considered, however, that the immigrants should have the right to make representations to an independent authority after a qualifying period of residence. Aliens acquired such a right after two years' residence; and it might be felt that Commonwealth immigrants should have a somewhat greater right in this respect.

The Home Secretary said that the power to repatriate should continue until the immigrant had been resident in the United Kingdom for five years, after which period he could exercise his statutory right to register as a citizen of the United Kingdom and Colonies and the power to repatriate should no longer be exercisable against him. The Commonwealth immigrant should have the same facilities for appeal as an alien; and, if he had been lawfully resident here for more than two years, he should be able to make representations to the Chief Magistrate, except where a breach of security was involved or where a criminal court had recommended deportation. The Home Secretary would, however, not be bound by the Chief Magistrate's view, even though he might normally give effect to it.

In discussion it was suggested that the taking of such powers might increase the risk of arbitrary expulsion by certain Commonwealth countries of United Kingdom citizens now resident there. It was the general view, however, that the general power of repatriation should be taken but that in order to put Commonwealth immigrants in a preferential position in relation to aliens, they should have the right to make representations to the Chief Magistrate after six months' residence here.

The Cabinet—

(10) Agreed that there should be power to repatriate Commonwealth citizens within their first five years of residence in the United Kingdom without the necessity of a criminal conviction or the recommendation of a court of law, subject to their right of representation to the Chief Magistrate after six months' residence.

Health checks

The Minister of Health said that it would be impracticable for effective health checks for immigrants entering the United Kingdom to be carried out in all the countries of origin. The national health authorities could not be relied upon to produce reliable certificates; and it would be costly and impracticable to send United Kingdom teams of doctors to all the countries from which immigrants came. Such checks should therefore continue to be carried out in the United Kingdom; and power might be taken to impose a condition on immigrants that they should accept medical treatment on arrival.

SECRET
In discussion it was urged that, while medical certificates from the country of origin would not be entirely effective, they might nevertheless have some value, particularly for presentational purposes.

The Cabinet—

(11) Agreed that immigrants should be required to pass a medical test in the country of origin and that it should be made a condition of entry that immigrants for permanent residence might be required, if necessary, to undergo medical treatment on arrival in the United Kingdom.

(12) Invited the Minister of Health to consider the manner in which health checks on Commonwealth immigrants might more effectively be carried out in future at United Kingdom ports of entry.

Voluntary Liaison Committees

The Lord President said that the proposed White Paper on Immigration should also announce positive measures for further Government action on the integration with the community of Commonwealth immigrants already in this country. The Committee were considering various proposals to this end in the fields of education, employment, housing and health. Meanwhile, they considered it desirable to encourage the development or establishment of voluntary liaison committees in each local authority area where substantial numbers of Commonwealth immigrants had settled and to strengthen the existing machinery at national level for dealing with these problems. It was, therefore, proposed that the National Committee for Commonwealth Immigrants and the Commonwealth Immigrants Advisory Council should be replaced by a new National Committee. The Committee's functions would be to provide advice on particular problems, to promote research and to stimulate and co-ordinate local effort. It should also, where necessary, be empowered to recruit and train staff who could be made available as full time paid officials for the voluntary local liaison committees. The provisional estimate of the total cost of the scheme was £70,000 a year.

Discussion showed general agreement with this proposal.

The Cabinet—

(13) Approved C (65) 91.

Immigration of Asians from East Africa

The Home Secretary said that there was a considerable number of individuals of Asian origin in the newly independent countries of East Africa, who, if they chose to come to this country, would not be subject to control under the Commonwealth Immigration Act, 1962, since they were citizens of the United Kingdom and Colonies. The numbers involved might be of the order of 250,000; and there might be objection in admitting them to the United Kingdom freely while contemplating more stringent restrictions on other categories of Commonwealth immigrants. On the other hand legislation
depriving them of their existing rights and status would be difficult to justify.

The Prime Minister said that the issues involved could best be examined in the first instance by the Commonwealth Immigration Committee and referred to the Cabinet, if necessary, in the light of the Committee’s conclusions.

The Cabinet—

(14) Invited the Lord President to arrange for the problems raised in C (65) 93 to be considered by the Commonwealth Immigration Committee.

Timing

The Lord President said that the Government were committed to making a Parliamentary statement and issuing a White Paper before the Summer Recess. Discussion with Commonwealth Governments would be necessary beforehand. It might accordingly be appropriate to arrange for the White Paper to be issued, and a statement to be made, in the first week in August. A draft of the White Paper might meanwhile be considered by the Commonwealth Immigration Committee, together with detailed proposals for the changes in the voucher scheme, and in the operation of existing immigration controls, in the light of the Cabinet’s conclusions. These changes might be introduced about the middle of September. Consideration should also be given to the legislation which would be required for introduction in the following Session. This should, if possible, come into force before the end of the year. Alternatively it would be necessary to extend the period of the Commonwealth Immigration Act, 1962, for a further limited period.

The Cabinet—

(15) Invited the Commonwealth Secretary, in consultation with the Lord President and the Home Secretary, to inform Commonwealth Governments of their decisions on the future admission of Commonwealth immigrants.

(16) Invited the Lord President to arrange for the Commonwealth Immigration Committee to prepare a White Paper on the Government’s policy on Commonwealth immigration.

(17) Agreed that the White Paper should be issued, and that a Parliamentary statement should be made, shortly before the Summer Recess.

(18) Invited the Lord President to arrange for the Commonwealth Immigration Committee to consider detailed proposals in relation to the administrative arrangements and the legislation which would be required in order to bring into effect their decisions on changes of policy relating to Commonwealth immigration.

Cabinet Office, S.W. 1,
8th July, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 13th July, 1965, at 10.30 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister (Items 1-3)
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs (In the Chair for Item 4)
The Right Hon. Lord Gage, Lord Chancellor

The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs (Items 2 and 3)
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations

The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development (Items 2-4)

The following were also present:
The Right Hon. Charles Pannell, M.P., Minister of Public Building and Works (Item 2)
Mr. George Darling, M.P., Minister of State, Board of Trade (Item 2)
The Right Hon. Sir Elwyn Jones, Q.C., M.P., Attorney-General (Item 3)

The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer (Items 1-3)
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department (Items 1-3)
The Right Hon. James Griffiths, M.P., Secretary of State for Wales

The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport

The Right Hon. Frederick Willey, M.P., Minister of Land and Natural Resources (Item 3)
Mr. George Willis, M.P., Minister of State, Scottish Office (Item 3)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:

Sir Burke Trend
Mr. P. Rogers
Miss J. J. Nunn
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1. The Lord President of the Council recalled that he had been invited to review, in consultation with the Ministers concerned, the forward programme of publication of departmental White Papers. In so far as these were likely to provoke political controversy it would be undesirable that they should be published during the final weeks of the current Session or early in the Recess; and their release should therefore be deferred until mid-August. Thereafter they should be published at appropriate intervals. On this basis he would circulate, for consideration by the Ministers concerned, a list of the White Papers in question and the dates of publication proposed.

In discussion it was suggested that, although the Government were largely committed to publication before the Recess of a White Paper on Overseas Aid, it might be desirable to defer action in this respect until September, when it would be possible to consider the programme of aid, which imposed a considerable burden on the balance of payments, in relation both to other proposals which made heavy demands on resources, e.g., the forward housing programme, and to the Economic Plan, which was timed for publication about the same time.

The Prime Minister said that further discussion of this question should be postponed until the Minister of Overseas Development could express her views and the Cabinet had had an opportunity to consider, at an early meeting, the future programme of public expenditure as a whole.

The Cabinet—
Took note of the Lord President's statement about the forward programme of publication of departmental White Papers.

2. The Cabinet considered a memorandum by the Minister of Public Building and Works (C (65) 94) on the redevelopment of the Whitehall area, to which was appended the draft of a proposed Parliamentary statement on this subject. An amended draft of this statement was circulated during the discussion.

The Minister of Public Building and Works said that the plans for the redevelopment of the Whitehall area which had been prepared by Sir Leslie Martin and Professor Colin Buchanan were far reaching and might not be fully realised for half a century; but, if the Government failed to endorse the general principles involved, piecemeal development of the area would effectively prevent the realisation of a bold and imaginative scheme. He therefore proposed to announce that the Government accepted the reports as the framework within which the future development of the Parliament Square and Whitehall areas should take place, particularly as regards the concept of a precinct in and around Parliament Square, from which traffic not serving the area should gradually be withdrawn;
the need to develop the Bridge Street site for Parliamentary purposes and as Government offices; and the importance of carrying out feasibility studies of the project for building a riverside tunnel from the Embankment to Lambeth Bridge and of the related road proposals.

It would be important to make it clear that, in so far as further Government building was involved, this must be consistent with the Government's policy of restraining the growth of office employment in London and that during the currency of the present restrictions on office building in the metropolis the development of the area in question would be carried out in conformity with that policy. In fact, however, there need be no conflict between the proposals in the reports and the Government's policies in this respect. Even if decisions were taken immediately it would not be possible to start construction on the Bridge Street site until 1968; the site would not be redeveloped, and available for staff to be moved from the present Foreign Office building, until 1971; the rebuilding of the Foreign Office itself could not be expected to be completed until 1975; and it would be at least 1980 before the Great George Street site could be redeveloped. During this period the policy relating to the control of office building in general would inevitably be modified; and it would be unrealistic to seek to make the Government's endorsement of an imaginative long-term scheme conditional on the observance of restrictions which might well have been substantially changed before it came to fruition. Moreover, Whitehall and Parliament Square constituted the administrative centre of a city which was at once the capital of the United Kingdom and the centre of the Commonwealth; and their development should be accepted as being in a class apart from the development of other sites for office building. Finally, experience had shown that the cost of accommodating civil servants in leasehold buildings dispersed throughout London was unnecessarily high; and on grounds of economy and efficiency they should be housed in Crown buildings. This policy need not imply any increase in the total number of civil servants in London as a whole; it would merely denote a greater degree of concentration within the Whitehall area.

The Minister of State, Board of Trade (Mr. Darling) said that the proposals in C(65)94 foreshadowed an increase of office accommodation which might well conflict with the Government's policy and would be liable to constitute an embarrassing precedent in relation to office building projects in the private sector which the Government were concerned to seek to restrain. It would therefore be preferable to amend the proposed statement to indicate that the Government building contemplated in this area would be subject to the same restrictions as other office building in London.

In discussion there was general agreement that the imaginative quality of the proposals for the development of the centre of the capital over the next 30 years should not be obscured by the need to have proper regard to current restrictions on office building and to the financial exigencies of the immediate economic situation. While the timing of the expenditure involved and the manner of the
proposed development must take these difficulties in account, the Government should declare their firm intention to develop this area in the longer term in accordance with the principles of Sir Leslie Martin's report.

In further discussion the following main points were made:

(a) Any substantial expenditure on construction would not be incurred before 1968. A statement of policy on the lines proposed would not, therefore, imply any premature degree of financial commitment.

(b) In principle it would facilitate the conduct of Government business and be conducive to economy in expenditure if those Departments which remained in London were concentrated in the Whitehall area and were accommodated in Crown buildings rather than in rented premises. This need not imply, however, any change in the policy of dispersing Government staffs from London to the provinces to the maximum possible extent; and the proposed statement should emphasise this fact. It might also include with advantage some statistical information about the high cost of maintaining Government Departments in rented accommodation and the economies which might ultimately be achieved by building new Crown offices. But, in order to give effect to the undertaking in the proposed statement that during the currency of the present restrictions on office building in London development would be carried out in conformity with this policy, the Bridge Street site should not be developed to a greater capacity than 300,000 square feet, even though the building might be designed to be capable of extension at a subsequent stage.

(c) The concentration of Government staffs in the Whitehall area would imply the vacation of offices elsewhere in London; and it would be necessary to ensure that this did not provide opportunities for evasion of the Government's plans for the limitation of office accommodation in London as a whole.

(d) The wording of the proposed statement should not be such as to prejudice the rebuilding of the Foreign Office block as soon as possible. On the other hand work on this project could not begin until the major part of the staffs concerned had been rehoused in the new building on the Bridge Street site. It would be preferable, therefore, to combine the first two sentences of the fourth paragraph of the proposed statement in order to make it clear that both sites would be redeveloped as soon as practicable.

(e) The proposals relating to the rerouting of traffic in the Westminster area were less precise and more arguable than those concerned with site redevelopment. In particular, the proposed riverside tunnel would require further study before its feasibility could be decided. It might also prove impossible to remove traffic altogether from a precinct in Parliament Square. The statement should therefore, be amended to emphasise the need for further consideration of the proposals relating to traffic before decisions
could be taken. Meanwhile, however, it was important that the current efforts for the improvement of the traffic flow in this area should be continued as a matter of urgency.

(f) The statement should also refer to the part to be played in these developments by the Greater London Council.

The Prime Minister, summing up the discussion, said that there was broad agreement with the proposals in C (65) 94; and the draft statement should now be further considered, in the light of the discussion, by the Ministers primarily concerned. Agreement in principle did not, however, commit the Government to any decision on the precise timetable for the construction of the Government offices involved, which would require further examination when detailed plans and estimates were available.

The Cabinet—

(1) Approved C (65) 94 in principle.

(2) Invited the Minister of Public Building and Works, in consultation with the Minister of Housing and Local Government and other Ministers concerned, to revise the draft statement in the light of the discussion.

3. The Cabinet considered memoranda by the Minister of Land and Natural Resources (C (65) 96 and 102) on problems of policy in connection with the establishment of a Land Commission, with particular reference to betterment levy; a memorandum by the Chancellor of the Exchequer (C (65) 100) on betterment levy and capital gains tax; and a note by the Minister of Land and Natural Resources (C (65) 95) to which was appended a draft White Paper on the Land Commission.

Betterment levy and capital gains tax

The Minister of Land said that the proposal to create a Land Commission was based on the concept that development value which was created by the community should be recovered for the community, provided that the landowner retained a sufficient proportion of that value as an incentive to put his land on the market. In conformity with this concept it was proposed that development value should be subject to a single betterment charge, levied by the Land Commission, and not to capital gains tax in addition to the betterment levy. If this arrangement were adopted, there might be a progressive rate of levy. But, although there would be no difficulty in providing in legislation for the rate to be raised from time to time, any attempt to prescribe the dates on which it would be increased might provoke undesirable fluctuations in the supply of land; and it could be argued that it would be equally unwise to announce the amounts of the proposed increases. The balance of advantage, however, seemed to incline in favour of specifying the amounts involved, but not the dates on which they would take effect.
The Chancellor of the Exchequer said that it would be undesirable to remove development value from the scope of capital gains tax and to subject it only to betterment levy. During the recent Parliamentary debates on the Finance Bill the capital gains tax had been presented as a comprehensive tax, which should apply to every type of capital gain; and the Government had successfully resisted attempts by the Opposition to confine it to a limited field. To adopt a different policy in relation to development value would therefore expose the Government to charges of both indecision and breach of faith. Moreover, it would involve withdrawing reliefs given in the Finance Bill to owner-occupiers and small taxpayers; and the Government would face determined opposition in the House of Commons to the imposition on the whole of development value of a levy which, unlike capital gains tax, would take no account of individual means and would comprise an element of retrospection. Persons in substantially similar positions would be treated differently—the property-dealing company from the land-owning company, the owner of land from the owner of shares in a land-owning company. The valuable distinction between the short-term and long-term gains of the speculator would be lost, as would the advantage that the weight of the capital gains tax would increase gradually over a period. The administrative problems which would ensue would be formidable.

In discussion it was suggested that the proposal would not make a formal breach in the comprehensive nature of the capital gains tax, since this would continue to be chargeable on increases in existing use value. Only the special increment of value resulting from the grant of planning permission would be affected; and, unless this increment were charged wholly to betterment levy, not only would the principle of retaining a due proportion of development value for the community be obscured but the rates of levy which it would be practicable to charge at the beginning of the Land Commission's operations would be so low that it would be difficult to convince public opinion of the necessity for the establishment of the Commission. The general public would expect to see development value charged solely to levy as a means of fulfilling the Government's pledge to reduce the price of land. Moreover, there was a risk that, if the levy were seen as an addition to capital gains tax, there would be pressure that individual ability to pay, a consideration which was properly relevant to taxation, should also be applied to the levy, despite the fact that the levy was directed to the wholly different social purpose of recovering for the community a reasonable part of the additional wealth which the community had helped to create. From this point of view a distinction could reasonably be drawn between the exemption of an owner-occupier from capital gains tax on the increased value of his house, which was intended to enable him to meet the cost of replacement, and the imposition of levy on the development value of his surplus land; and, while administrative difficulties would undoubtedly be encountered if betterment levy were
made the sole charge in the latter case, it was not clear that they would be any less if it were combined with capital gains tax.

The Prime Minister, summing up this part of the discussion, said that the balance of opinion in the Cabinet was in favour of subjecting development value solely to betterment levy and not to capital gains tax. It was agreed that the rate of the levy should initially be 40 per cent, rising to 45 per cent and 50 per cent, at intervals which should not be publicly specified.

The Cabinet—
(1) Agreed that the development value of land should be exempt from capital gains tax and made subject to betterment levy; and that it should be increased at intervals, which should not be specified in public, from an initial rate of 40 per cent to 45 per cent and, subsequently, 50 per cent.

Permanent endowment land of charities

The Minister of Land said that charities held land in three categories—functional land, which was directly used for the purposes of the charity; permanent endowment land, which had been given in perpetuity in order to provide the charity with income and was subject to restrictions on sale; and land which was held as an investment and was not subject to restrictions. It had been agreed that functional land, but not investment land, should be exempt from betterment levy. The question now at issue was whether permanent endowment land should be similarly exempt. It had not been found possible to distinguish between one charity and another, or one sale and another, on the basis of the social value of either the charity or the particular transaction, without raising the question whether purposes which the Government did not regard as socially valuable should nevertheless be recognised as charitable. But to exempt the permanent endowment land of all charities on the ground that, by definition, it served a social purpose would be contrary to the principle that increases in the value of land created by the community should not accrue solely to the owner, a principle which applied equally to charitable as to other landowners. Moreover, the Government would be open to political criticism if they introduced the Bill in a form which permitted, for example, Eton College to retain the full market value of the development land which they owned in London but did not enable a local authority to retain the development value of its land for its own social purposes.

In discussion it was pointed out that, since the control of the sale of permanent endowment land exercised by the Secretary of State for Education and Science, the Charity Commissioners, the Church Commissioners and the Courts ensured in practice that money realised by the sale of permanent endowment land was applied to charitable purposes, it was possible to distinguish charities from other landowners on the ground that their purposes had for generations been recognised to be deserving of encouragement. Moreover, while there might be political criticism of the exemption of individual charities, charities as a whole commanded considerable
public sympathy and support; and Members of all Parties would find themselves under embarrassing pressure from the supporters of small local charities in their constituencies if their endowment lands were made subject to betterment levy.

The Cabinet—

(2) Agreed that the permanent endowment land of charities should be exempt from betterment levy.

White Paper

In discussion of the draft White Paper, the following main points were made:

(a) As a matter of presentation it might be useful in the historical survey in Section I to refer, although preferably without suggesting any sympathy with the feudal system, to the fact that originally ownership of land had carried with it obligations to render service.

(b) Section IV on the Land Commission's powers of acquisition had been revised in order to bring out more clearly the Government's proposals for developing the Land Commission's functions and powers in stages and so to avoid creating unnecessary alarm about the operations of the Commission in the initial stage. From this point of view, however, paragraphs 14 and 17 might be further improved by minor drafting amendments.

(c) The absence in paragraph 20 of any indication of intention to make the more rapid procedure for compulsory purchase, as well as the new vesting procedure, available to all bodies with powers of compulsory purchase would be likely to attract criticism from local authorities. It would not be appropriate, however, to commit the Government to any such intention in advance of a thorough examination of compulsory purchase procedures, possibly by an independent committee. But it could be disclosed, if necessary, that the Government had compulsory purchase procedures generally under consideration.

(d) The reference in paragraph 22 to leasehold enfranchisement should be examined at a later stage, when decisions of policy on this subject had been taken.

(e) The third sentence of paragraph 24 should be amended to read: "Where this is not possible, however, with the consent of Ministers the Commission themselves will have power to provide houses for disposal direct."

(f) The last sentence of paragraph 24, which referred to the possibility of using some of the proceeds of the Commission's activities to finance cheaper mortgages, should be omitted in favour of some more general statement about assistance to owner-occupiers.

(g) The passage in paragraph 36 discussing the means by which additional assistance might be given to local authorities as a result of the operations of the Land Commission should be omitted. It would be unwise to canvass the problems before the current
discussions with local authorities had been completed; but it might be possible to give some informal indication of the Government's intentions when the White Paper was published.

The First Secretary of State, summing up this part of the discussion, said that the amendments proposed in discussion should be considered by the Minister of Land and Natural Resources in consultation with the Ministers concerned; and, if agreement on a form of words could not be reached, the matter should be referred to the Lord President. Otherwise, the draft White Paper was approved. At present it was proposed that it should be published in September; but the precise date would need to be further considered in connection with the programme for the publication of other White Papers likely to appear in the autumn.

The Cabinet—

(3) Invited the Minister of Land and Natural Resources to discuss with the Ministers concerned the amendments to the draft White Paper which had been suggested in discussion and, if agreement was not reached, to refer the matter to the Lord President of the Council.

(4) Subject to Conclusion (3) above, approved the draft White Paper appended to C (65) 95.

(5) Took note that the Lord President of the Council, in consultation with the Minister of Land and Natural Resources, would consider the date of the publication of the White Paper in the context of the programme for the publication of other major statements of Government policy.

4. The Cabinet had before them memoranda by the Secretary of State for Education and Science (C (65) 88 and 99) about the public schools.

The Secretary of State for Education and Science said that on 17th December, 1964, his predecessor had announced that he proposed "to set up an educational trust with a view to the integration of the public schools within the State system of education." His own proposals for achieving this objective had subsequently been approved in principle by the Social Services Committee; but the Committee had considered that further action should be deferred until the autumn. It would be desirable, however, to give some interim indication of the Government's intentions; and he therefore proposed to announce, in answer to a Parliamentary Question, that the Government's preparations for setting up a Public Schools Commission to advise on the best way of integrating the public schools into the State system of education had reached an advanced stage; that he now proposed to invite the views of interested parties; that he also intended to take into account the study by Dr. Lambert of boarding school education as a whole; and that he hoped to establish the Commission in the next Session of Parliament.
The Commission might be established early in 1966 and could be expected to take some two years to complete its work, including the implementation of pilot schemes. Thereafter, it should be possible to embark on a major plan of integration by the autumn of 1969. No major charge to public funds would be involved until the final stage of this plan. The ultimate cost would depend upon the Government's policy decisions; but the maximum expenditure would be of the order of £23-24 million if all boarding places were eventually taken over by the State.

Discussion showed general agreement with the terms of the announcement proposed, on the understanding that this did not imply any decision on the detailed proposals which the Social Services Committee had recommended until they had been further considered by the Cabinet.

The Cabinet—
(1) Approved C (65) 88.
(2) Invited the Secretary of State for Education and Science to circulate in due course his proposals on the future of the public schools.

Cabinet Office, S.W.1,
### CABINET

**CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 15th July, 1965, at 10.30 a.m.**

**Present:**

| The Right Hon. Harold Wilson, M.P., Prime Minister |
| The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs |
| The Right Hon. Lord Gardiner, Lord Chancellor |
| The Right Hon. Denis Healey, M.P., Secretary of State for Defence |
| The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations |
| The Right Hon. James Griffiths, M.P., Secretary of State for Wales |
| The Right Hon. Douglas Jay, M.P., President of the Board of Trade |
| The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science |
| The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster |
| The Right Hon. Frank Cousins, M.P., Minister of Technology |
| The Right Hon. Frederick Lee, M.P., Minister of Power |
| The Right Hon. Barbara Castle, M.P., Minister of Overseas Development |

The following were also present:

| The Right Hon. Kenneth Robinson, M.P., Minister of Health (Item 3) |
| The Right Hon. Margaret Heseldon, M.P., Minister of Pensions and National Insurance (Item 3) |
| The Right Hon. John Diamond, M.P., Chief Secretary, Treasury (Item 3) |
| Mr. George Thomson, M.P., Minister of State for Foreign Affairs |
| The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury |

**Secretariat:**

| Sir Burke Trend |
| Mr. P. Rogers |
| Mr. J. H. Locke |

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Parliament

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

Overseas Affairs

Vietnam

(Previous Reference: CC (65) 35th Conclusions, Minute 2)

2. The Prime Minister said that the Joint Parliamentary Secretary, Ministry of Pensions and National Insurance, Mr. Harold Davies, M.P., had now returned from his visit to Hanoi, in the course of which he had established contact with the authorities in North Vietnam. There was no indication that, as a result of these discussions, the Government of North Vietnam would necessarily be more willing than hitherto to receive the Commonwealth Mission on Vietnam. But Mr. Davies had succeeded in enlightening them about the purposes of the Mission and the Western attitude towards the conflict in Vietnam; and from this point of view his visit to Hanoi had been well worth while.

Disarmament

The Minister of State for Foreign Affairs, (Mr. Thomson) said that the Soviet Government, after maintaining an attitude of disinterest towards the discussions on disarmament in Geneva, had suddenly indicated that they would be prepared to resume negotiations in this context.

In discussion there was general agreement that this was an encouraging development in itself and might also foreshadow a more accommodating attitude on the part of the Soviet Government in relation to other issues, including the problem of Vietnam. But the motives which might have prompted this sudden change in the Soviet attitude would need to be examined; and further consideration should be given to its possible implications in relation to the various proposals which had been put forward to restrict the dissemination of nuclear weapons, including the Multilateral Nuclear Force and our own project for an Atlantic Nuclear Force.

The Cabinet—

Invited the Minister of State for Foreign Affairs (Mr. Thomson) to arrange for further consideration to be given, on the lines indicated in their discussion, to the possible implications of the recent offer by the Soviet Government to renew their participation in the negotiations on disarmament in Geneva.

Public Expenditure

(Previous Reference: CC (65) 33rd Conclusions, Minute 3)

3. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C (65) 101) submitting the Report of a group of Ministers who had examined public expenditure programmes up to 1969–70. The Cabinet also had before them two Notes by the Secretary of the Cabinet (C (65) 97 and 98) to which were appended copies of the departmental memoranda which had been considered by the Ministerial Group and a report by the Public Expenditure Survey Committee on public expenditure to 1969–70.
The Chancellor of the Exchequer said that the task of the Ministerial group had been to recommend how best to implement the decision by the Cabinet on 28th January, 1965 (CC (65) 5th Conclusions, Minute 3) that the planning of public expenditure should be based on an average annual rate of increase of 4½ per cent a year at constant prices from 1964-65 to 1969-70. They had assumed that the provision for defence would not exceed £2,000 million at 1964 prices and that the basic civil programmes, representing the orderly development of existing policies, would be as already approved by the Cabinet. The question for decision, therefore, was the amount of additional expenditure over and above the basic programmes, which could be contemplated within the limit of 4½ per cent per annum and the manner in which it should be allocated between Departments. After making an allowance of only £100 to £150 million for contingencies, the group had concluded that additional expenditure of £240 million in 1969-70 represented the maximum sum which could be contemplated in respect of the seven main programmes of civil expenditure. On this basis there would be a 33 per cent increase in expenditure on these programmes in the five year period in question, compared with a 21 per cent increase in gross domestic product and a 17 per cent increase in personal consumption. It was reasonable to permit a higher proportionate increase in public sector expenditure, which had been excessively restricted under the Conservative Administration. But this greater outlay would have to be met by an increase in revenue; and public opinion could be expected to be sensitive to this point. Within the margin of £240 million for additional programmes in 1969-70 the group had recommended that housing should receive the largest allocation (£110 million), followed by benefits and assistance (£60 million) and smaller sums for education, health and police. No additional provision was proposed in the case of roads, where the basic programme already envisaged a very rapid increase, or in overseas aid, where balance of payments considerations imposed a particularly cautious policy.

In discussion the following main points were made:

(a) Decisions on the level of public expenditure were needed both in order to supplement other elements in the National Economic Plan and in order to reinforce confidence, at home and abroad, in the Government’s economic policies. The latter consideration was particularly important in the short term.

(b) The five year programme for public expenditure would be reviewed each year and would be carried forward by a further twelve months at each review. There would therefore be regular opportunities to revise the scale of provision now under consideration. Moreover, expenditure did not always exhaust the whole of approved allocations; and revenue also might prove to be more buoyant than could at present be expected. There might therefore be some margin for a further increase in expenditure in later years; and the programmes now before the Cabinet should not be regarded, or publicly presented, as restricting public expenditure within a rigid framework which would not be susceptible to subsequent modification. On the other hand the assumptions about the growth of the economy which
were being considered for adoption in the National Plan were themselves optimistic; and there could be no certainty that the 25 per cent growth assumed by the Plan for the period 1964–65 to 1969–70 could be reached. Moreover in the next two years the claims on resources would probably rise more rapidly than productivity, although thereafter the position might be reversed. It was for this reason that the Ministerial group had rightly proposed not only a limitation on additional programmes in 1969–70 but also a proportionately more severe limitation on those programmes in 1966–67.

(c) The additional programmes included certain types of expenditure, particularly in relation to benefits and assistance, which were of the nature of transfer payments. It was arguable that such payments should not be treated as falling in the same economic category as direct Government expenditure on goods and services. On the other hand they were properly brought within the scope of the present survey since they involved, no less than direct Government expenditure, claims on resources which would have to be met by one means or another. Even so, it would be important that a concept of Government expenditure which included transfer payments should not be regarded as inhibiting the Government from any subsequent decision which they might see fit to take to promote the redistribution of income by fiscal means.

(d) In certain cases the arbitrary distinction between the public sector and the private sector, whereby expenditure in relation to the former formed part of the total estimate of expenditure before the Cabinet while expenditure in relation to the latter was excluded, was misleading and dangerous. In the case of housing, for example, it appeared to be assumed that private sector housing could not be controlled and that there would therefore be no means of ensuring that it would not exceed the 250,000 houses which the Ministerial group had envisaged as the target for 1970. If so, however, public sector housing, for which a target of the same size was suggested, would have to be reduced to the extent to which private sector housing exceeded its allocation. This would be uneconomic, in so far as private sector housing was marginally more expensive in terms of unit subsidy than public sector housing. Moreover, it was wrong in principle that the public sector should become little more than the residuary legatee of unregulated variations in the private sector. But if, for these reasons, it became necessary to establish some degree of physical control over private sector housebuilding, this would not be easily be reconciled with the Government's policy of encouraging house ownership by the provision of tax reliefs and mortgage finance on favourable terms; and, since legislation would be required in order to establish the control, there would also be some risk of forestalling in the interval before its enactment.

(e) The same principle could be argued to be at stake in the social services. Here, too, much of the provision made in the private sector by way of insurance against the various types of personal
accident or misfortune involved a potential charge on resources; and here too, therefore, there was some risk that the corresponding provision made by the Exchequer would take second place to the demands of the private sector and that an effective control of public expenditure would limit national schemes of social security while private schemes developed without restraint.

The Prime Minister, summing up this part of the discussion, said that the 4\% per cent limitation on public expenditure must clearly be maintained, even though the precise scope of the field might be arguable. It was essential, however, that the public expenditure programme should not be treated as a residual and the establishment of control over private sector expenditure, where necessary, must be a corollary of the control of public expenditure. This was particularly true of building, where it would be desirable to re-examine the means by which a physical control of housebuilding and all forms of less essential building in the private sector, apart from industrial premises, could be introduced.

The Cabinet next considered the allocation of individual programmes proposed in C (65) 101.

Education

The Secretary of State for Education said that, if his additional programme were restricted to the proposed figure of £35 million in 1969–70, the consequences would be severe. Even his original programme had been unable to provide for any substantial progress towards the introduction of new comprehensive schools or additional nursery schools or an increase in student grants. The reductions now envisaged would imply that new school building would be restricted to the mere provision of places for the 200,000 additional schoolchildren each year; and the programme of replacement of sub-standard school buildings, on which the previous Administration had been spending £30 million a year, would come to a virtual standstill. In addition the universities would be denied the means of financing the expansion which was required in order to accommodate the increase in student numbers; and promising developments, such as the North-East Technological University, would be unable to proceed. The University of the Air, together with the reform of the Public Schools, might have to be deferred indefinitely.

In discussion the following points were made:

(f) It might still be possible to establish the University of the Air if it were financed from advertisement revenue from a fourth television channel.

(g) Even on the basis of a reduced additional programme, expenditure on school building would be £84 million in each of the next two years and £98 million thereafter, compared with only £45–50 million a year under the previous Administration.

(h) The reduced programme proposed by the Ministerial group should be adequate in Scotland.
Health

The Minister of Health said that he was reluctantly prepared to accept that no provision should be made for removing charges for dental treatment, dentures and spectacles. Even so, however, the additional programme proposed for health and welfare (£8 million in 1966-67, £25 million in 1969-70) was wholly inadequate to meet the needs of the Health Service. Nevertheless, in view of the restriction on all forms of public expenditure, he would not seek to argue for a higher allocation, provided that the distribution of the total sum between England and Wales and Scotland was reserved for further consideration.

Benefits and Assistance

The Minister of Pensions and National Insurance said that the Ministerial group had recommended that wage-related short term benefits should be introduced in October, 1966, and that flat-rate benefits should be increased at the same time. But this would be impracticable; and it would be wiser, in any event, to postpone any increase in flat-rate benefit until April, 1967, at the earliest. Moreover, it would be desirable to couple with the scheme for wage-related benefits an improvement in benefits under the Industrial Injuries scheme. The expenditure involved under these heads could probably be met from within the basic programme. More important, however, was the recommendation by the Ministerial group that the Income Guarantee scheme should not be introduced in 1966, even in the more modest form now envisaged, costing some £100 million. It had been made clear in the Labour Party’s Election Manifesto that this scheme would be introduced at an early date; and no qualification had been attached to this undertaking. But, if the recommendation of the group were accepted, it was unlikely to be introduced at any time in the next five years if, indeed, at all.

In discussion the following main points were made:

(i) The whole of the cost of the wage-related short term benefits would be met by additional contributions, which should suffice to finance, in addition, a considerable part of the other increases in benefits.

(ii) There were limits, however, to the extent to which it would be practicable to increase contributions. Employees tended to regard them as merely taxation in another form; and increases in the employers’ contribution resulted in increases in industrial costs.

(k) It was doubtful whether it would be possible to postpone an increase in flat-rate benefits until 1967. There might, indeed, be advantage in making smaller and more frequent adjustments, perhaps related to the cost of living, rather than continuing to resist the pressure of public opinion until it became necessary to concede a major improvement in a single operation.

(l) The Income Guarantee scheme had originally been intended to replace flat-rate benefits and to concentrate benefits on those who...
were genuinely in need. It had been assumed, therefore, that it would show a substantial saving as compared with increases in flat-rate benefits. It now seemed uncertain, however, whether this saving could be achieved unless widows and the chronic sick were penalised in terms of normal benefits. If so, it might be desirable to re-examine the financing of the Income Guarantee scheme.

\((m)\) In any event the Income Guarantee scheme, in the form in which it was now emerging, seemed likely to prove less attractive than had originally been hoped, inasmuch as it would appear to be little more than an improved form of National Assistance.

\((n)\) The Labour Party's Election Manifesto had undertaken to increase benefits in line with increases in the money earnings of the community. On the other hand it would be possible to increase benefits only in line with increases in real earnings or in private consumption. This should yield substantial savings in the basic programme for benefits, which was based on the assumption that rates of benefit would rise in line with total national income.

The Prime Minister, summing up this part of the discussion, said that the Cabinet would need to be further informed before they could take a decision on the complex and important issues involved. It would be desirable for these issues to be examined by a small group of Ministers, under the chairmanship of the Chancellor of the Duchy of Lancaster, who should submit a report as rapidly as possible. They should consider alternative means of using the financial provision for benefits envisaged in the basic and additional programmes proposed in C (65) 101; they should indicate what combinations of the Income Guarantee scheme and increases in flat-rate benefits might be possible within the limits of this provision, both in 1966–67 and in later years; and they should examine how far increases in contributions might reasonably be invoked to meet the increased cost of benefits and assistance.

Police and Prisons

The Secretary of State for Home Affairs said that he would reluctantly accept the proposed additional programme of only £10 million in 1969–70, although this would imply that it would be possible to make only a very limited start on schemes for paying prisoners industrial rates of wages.

Roads

The Minister of Transport said that he, too, would reluctantly accept the recommendation that no additional programme should be provided for roads, although the work which he had envisaged under this programme was so important that it might be necessary to make adjustments in the basic programme in order to accommodate it to some extent.

In the discussion the following main points were made:

\((o)\) Expenditure on roads had been rising very rapidly in recent years; and the basic programme provided for a further large increase.
It could be argued that it was desirable to reduce this programme, which had been largely inherited from the previous Administration, in order to provide an increased allocation for other services.

(p) On the other hand we were still spending proportionately less on roads than nearly all other highly developed countries. Improved roads were fundamental to regional development; and the economic return on the investment would be substantial.

(g) The construction costs of new major roads appeared to be rising rapidly; and there might be a case for an inquiry into the causes, which could not be wholly explained by the fact that land prices were also rising sharply and new roads were being built to higher standards.

(r) Expenditure on roads in Wales was now falling; and it might be desirable to reconsider the allocation for Wales in view of the importance of adequate roads to the economic development of the Principality.

The Cabinet—

(1) Took note that the Prime Minister would consider the means by which the desirability of establishing control over house-building and less essential building in the private sector might be further examined.

(2) Invited the Chancellor of the Duchy of Lancaster, in consultation with the Secretary of State for Scotland, the Secretary of State for Wales, the Secretary of State for Education and Science, the Minister of Housing, the Minister of Pensions and National Insurance and the Chief Secretary, Treasury, to consider, in the light of the discussion, alternative policies in relation to benefits and assistance within the financial limits of the basic and additional programmes proposed in C (65) 101; and to report their findings as rapidly as possible.

(3) Invited the Minister of Transport to consider, in the light of the discussion, the desirability of promoting an inquiry into the rising costs of road construction.

(4) Agreed to resume their examination of public expenditure at a subsequent meeting.

Cabinet Office, S.W.1,
16th July, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 20th July, 1965, at 10.30 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs (Item 1)
The Right Hon. Lord Gardiner, Lord Chancellor (Item 1)
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal (Item 1)
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour (Item 1)
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport

The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., Secretary of State for Education and Science
The Right Hon. Anthony Crosland, M.P., President of the Board of Trade
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:

The Right Hon. Kenneth Robinson, M.P., Minister of Health (Item 1)
The Right Hon. John Diamond, M.P., Chief Secretary, Treasury

The Right Hon. Margaret Herbison, M.P., Minister of Pensions and National Insurance (Item 1)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretary:
Sir Burke Trend
Mr. P. Rogers
Mr. J. H. Locke
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1. The Cabinet resumed their consideration of a memorandum by the Chancellor of the Exchequer (C (65) 101), to which was appended the report of a group of Ministers who had examined public expenditure programmes up to 1969–70.

Overseas aid

The Minister of Overseas Development said that there were considerable objections to the recommendation that overseas aid should be confined to the basic programme of £216 million in 1966–67 and £229 million in 1969–70. In the first place the basic programme was an arbitrary figure and bore no relation to the level of expenditure which would logically follow from the Government's present policies in foreign and Commonwealth affairs or to the moral commitments which had been accepted both by the previous Administrations and by the present Government since they took office. Moreover, it was based on the assumption that expenditure in 1964–65 had been £181 million, whereas it had, in fact, approached £190 million and, even so, had been restrained only by the reluctance of recipients to draw on loans at a time when the interest rate was high. In 1965–66 actual expenditure seemed likely to be £212 million—considerably more than the basic programme for that year. Against this background the lowest figure which it seemed practical to envisage for 1966–67 was £250 million; and to restrict expenditure in that year to the proposed figure of £216 million would involve major changes in policy.

It was true that formal commitments for 1966–67 totalled only £195 million; but this was misleading in that formal commitments had been literally defined and therefore took no account of other obligations which were not the subject of contracted engagements, but were none the less morally binding on us. For example, our undertaking to provide budgetary support for Malawi must be honoured, although no precise figure had yet been fixed for 1966–67. The same was true of our non-project aid to India, which was reviewed annually but could not be discontinued without grave damage to the Indian economy. Our formal commitments on technical aid for 1966–67 totalled only £22 million; but the present level of assistance was over £32 million a year and this allowed nothing for the expanded technical aid policy which had already been agreed. Similarly, the figure for formal commitments contained no provision for needs which we must clearly continue to meet, e.g., aid to Tanzania and Uganda; assistance for land settlement in Kenya; support for Turkey and Jordan, etc. In addition the Ministry of Overseas Development were being pressed to refinance Argentine commercial debts amounting to £5½ million a year in order to avert a serious deterioration in our trade with that country; and it would be equally important that we should contribute to the refinancing of the Indian debt in order to encourage others to make similar contributions. It was for these reasons that a decision to limit overseas aid to a maximum of £216 million in 1966–67 would entail major changes in our overseas policy generally.
As regards 1969-70 it was essential that there should be some increase over the level of expenditure of £250 million in 1966-67 in order to help to finance additional projects such as the compensatory finance scheme for developing countries; a further contribution to the International Development Association; and additional refinancing of debt.

An increase in overseas aid admittedly imposed a further strain on the balance of payments. But there was no agreement on its extent. Moreover, it could be reduced if the programme were so administered that a large part of the additional aid was spent directly or indirectly on United Kingdom goods; and in this way it could create a subsequent demand for our products which would help to enlarge our export earnings. Finally, it was essential to maintain our aid to the developing countries in order to reduce the risk of a world-wide economic recession, while continuing to relate the aid programme to the National Economic Plan in order to avoid making excessive demands on resources which were particularly scarce in terms of our own needs.

In discussion the following main points were made:

(a) The group of Ministers who had examined the programmes of public sector expenditure had recognised the great difficulties involved in confining expenditure on aid in 1966-67 to the basic programme for that year in view of the commitments of policy which the Government had incurred in this field, partly by inheritance from previous Administrations.

(b) Aid to our Colonial territories, totalling £30½ million in 1966-67, was provided for under the Overseas Development and Services Bill; and any reduction in this allocation would be liable to have serious political consequences.

(c) If aid in 1966-67 was confined to the basic programme, the allocation to foreign countries, as distinct from other members of the Commonwealth, would be likely to suffer the severest proportionate reduction; and this would seriously weaken our influence abroad.

(d) The basic programme proposed for 1969-70 would represent a smaller proportion of the estimated national income in that year than the corresponding ratio in 1965-66.

(e) The aid programme comprised a very large number of countries; and it might be preferable to concentrate aid on those where it was most important.

(f) On the other hand the programme did not comprise all overseas aid. In particular, it excluded overseas military aid, which was currently costing £31 million. If savings could be made in this context, it might be possible to envisage additional expenditure on other types of aid.

(g) The foreign exchange element in the cost of the aid programme might be reduced by increasing the proportion of tied aid; by encouraging recipient countries to obtain a greater proportion of their ordinary imports from Britain; and by giving more of our
aid in kind rather than in cash. It might be worth examining whether, by these and similar means, a total aid programme of £250 million, rising to £270 million, could be financed on the basis of an increase in the foreign exchange cost which would be limited to £10 million in 1966–67 and £15 million in 1969–70.

(h) On the other hand the present position of our balance of payments constituted a very strong argument against any increase at all in the foreign exchange content of the aid programme. Nor would it be practicable to contemplate any increase in the budgetary cost of the programme without seeking some compensatory economy in other departmental programmes.

(i) The restricted programmes of public expenditure which the Cabinet had considered at their previous meeting would inevitably entail disappointing to some extent the expectations entertained by domestic public opinion in relation to the development of, e.g., schools and hospitals. It was difficult to maintain, therefore, that our moral commitments to countries overseas should have any greater priority.

(j) Moreover, international opinion would be liable to react unfavourably to an increase in the aid programme at a time when we were borrowing heavily abroad in order to finance our balance of payments deficit.

(k) Although it was unnecessary to abandon the intention of increasing aid to a level of 1 per cent of the national income, an objective which the Government were committed to achieving in due course, it would be unrealistic to declare at this point that we intended to realise it by 1969–70.

The Prime Minister, summing up this part of the discussion, said that the Cabinet should defer a final decision on the size of the aid programme until they had completed their review of public sector expenditure as a whole.

Housing

The Minister of Housing said that, in general, the programmes recommended in C(65) 101 were reasonable and defensible. It would be important to establish the target of 500,000 houses in terms of “work done” in 1970 and to seek to ensure that in the years to that date the public sector programme would rise to about half the total while private sector housebuilding would remain at about its present level. It should not be unduly difficult to realise the objective of 500,000 houses, provided that substantially more use was made of system building. But if, as was possible, there was a substantial fall in private sector building in 1966–67 it would be necessary to reconsider the recommendation that there should be no additional programme for the public sector in that year.

As regards subsidies, the proposal that there should be no additional expenditure in 1966–67 was acceptable, provided that the policy implications were fully appreciated. This decision would not affect the introduction of cheap housing finance for local authorities.
since, even if the scheme for this purpose were announced in October 1965 (as was intended), expenditure would not be incurred in the following year. It would be necessary, however, to postpone the introduction of the proposed arrangements to provide assistance for private mortgages. On the other hand there would be advantages in a measure of deferment in this connection, since no satisfactory scheme had yet been devised and it was undesirable to stimulate demand for private houses in a period in which we should be seeking to increase the public sector's share of the housing programme. Moreover, the introduction of a scheme to subsidise private mortgages at this juncture might further diminish international confidence in the Government's economic policies.

In discussion the following main points were made:

(1) The possibility of providing assistance to local authorities but not to private house owners at the same time had not previously been contemplated.

(m) If, as was possible, the building societies increased their lending rate to 7 per cent in the autumn of 1965, it might become more difficult to defend the postponement of the introduction of cheaper terms for private house owners.

(n) Local authorities obtained a proportion of their finance from the Public Works Loan Board at favourable rates of interest; and they might be taking advantage of this facility to ease the terms on which they provided loans for private house purchase. This might provoke criticism from the building societies, if the assistance to private mortgages which they were expecting the Government to provide were postponed.

(o) The establishment of a National Housing Finance Corporation or a National Mortgage Corporation might make it easier to implement the Government's policy of assisting private mortgages.

(p) The National Economic Plan was being drawn up on the assumption of a target of 500,000 houses a year by 1970.

(q) The resources released by any reduction in private housebuilding should not be taken up entirely by public housing but might appropriately be used to expand other public construction programmes.

(r) An increase in the housing programme would create a demand for additional school building, for which the education programme discussed by the Cabinet at their previous meeting made no provision.

The Prime Minister, summing up the discussion, said that the Cabinet could not reach final decisions on the programmes of public sector expenditure until they had considered the alternative proposals in relation to benefits and assistance which they had commissioned at their previous discussion. When these proposals were before them they would be able to review the field of public sector expenditure as a whole and to decide whether to accept the priorities recommended in C (65) 101 or whether to modify them in any way within the limit of the assumed average annual rate of increase of

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4½ per cent at constant prices over the period 1964–65 to 1969–70, which the Cabinet had endorsed in January.

The Cabinet—

Agreed to resume their discussion of public sector expenditure at an early date.

2. The Cabinet had before them a Note by the Secretary of the Cabinet (C (65) 105) to which was attached a draft text of a projected White Paper on the Aid Programme.

The Minister of Overseas Development said that the White Paper was not intended to describe any major changes in policy or to prejudge the future level of aid. It was essentially a record of stewardship, i.e., a statement of the work which had been done by her Ministry since its establishment and an indication of the principles on which it was reorganising the administration of aid. Those sections of an earlier draft which had referred to the objective of an aid programme which would eventually amount to 1 per cent of the gross national product had been eliminated in order to meet the apprehensions of the First Secretary of State and the Chancellor of the Exchequer about the possible impact of the White Paper on international confidence in sterling; and the references to the limitations imposed on the programme by the exigencies of our balance of payments had been sufficiently strengthened to dispose of any reasonable doubts about our determination to confine our aid to a realistic level. The Government were firmly committed by successive statements in Parliament to publishing the White Paper before the Recess; and postponement would inevitably provoke embarrassing public speculation.

The Chancellor of the Exchequer said that, while the substance of the White Paper might now be acceptable, its publication in the near future could be damaging in terms of international confidence in sterling. For these reasons he felt strongly, in agreement with the First Secretary of State, that it would be preferable that it should not be published until September, when it would coincide broadly with the National Economic Plan and would therefore be seen in better perspective in relation to the many other competing claims on our resources.

Discussion showed considerable support for the publication of the White Paper before the Recess. Considerable importance was attached in both Commonwealth and foreign countries to the maintenance of our aid programme; and the text, as now redrafted, should no longer give rise to misapprehension about the future level of overseas expenditure which we could afford. Moreover, there would be advantage in publishing the White Paper at approximately the same time as the forthcoming White Paper on our immigration policy, in order to correct any misapprehension that the Government were indifferent to their moral obligations to peoples overseas.
In further discussion the following points were made:

(a) The draft should be examined in parallel with the draft of the proposed White Paper on Immigration in order to ensure that there was no inconsistency between them as regards their respective treatment of such questions as oversea students.

(b) Section XIII on "The role of private investment" should be reconsidered in order to emphasise the limitations on our ability to support a continuing substantial flow of such investment.

The Prime Minister, summing up the discussion, said that the balance of opinion was in favour of publication of the White Paper before the Recess, subject to the further examination of the text in the light of the points made in discussion. The exact date of publication should be determined in accordance with the timetable for the publication of other White Papers in contemplation.

The Cabinet—

(1) Agreed in principle that a White Paper on the Aid Programme should be published before the Summer Recess.

(2) Invited the Minister of Overseas Development, in consultation with the First Secretary of State, the Chancellor of the Exchequer and the Home Secretary, to give further consideration to the draft in the light of the points made in discussion.

(3) Took note that the Lord President of the Council, in consultation with the Minister of Overseas Development, would determine the exact date of publication in the light of the proposed timetable for the publication of forthcoming White Papers.

Cabinet Office, S.W.1.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 22nd July, 1965, at 10 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. SIR FRANK SOSKICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. FRED PEARL, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power

The Right Hon. TOM FRASER, M.P., Minister of Transport

The following were also present:

The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Item 6)

The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:

SIR BURKE TREND
Mr. P. ROGERS
MISS J. J. NUNN

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week. The Opposition would move a Motion of Censure against the Government on Monday, 2nd August.

2. The Foreign Secretary informed the Cabinet that the current constitutional crisis in Greece had its origin in a dispute between the King of Greece and the former Prime Minister, M. Papandreou, about the action to be taken as a result of the discovery of a Left-wing political faction within the armed forces. M. Papandreou had objected to a proposal by the Minister of Defence to conduct an inquiry into this incident; and he had proposed to dismiss the Minister and to assume the defence portfolio himself. The King had been unable to accept this arrangement; and he had therefore dismissed M. Papandreou and had invited M. Novas to form a new Government. As a result there had been popular demonstrations in favour of M. Papandreou; and, if a general election proved unavoidable, M. Papandreou might decide to campaign on an anti-Royalist platform. If it became clear that, in so doing, he had the support of the Communist Party in Greece, the crisis could develop on lines unfavourable to the West; and even Greek support for the North Atlantic Treaty Organisation might be called in question.

The Commonwealth Secretary said that, as a result of a request by the Prime Minister of Rhodesia, Mr. Ian Smith, that a United Kingdom Minister should visit Salisbury, the Minister of State for Commonwealth Relations had undertaken this mission. His purpose would be merely to ascertain how the current discussions with the Government of Rhodesia about the future constitutional development of the Territory should proceed; and he would not attempt to negotiate a final settlement at this stage.

3. The Minister of Labour said that the current dispute about bonuses for train drivers, which has led to the introduction of working-to-rule in the Southern Region of British Railways, derived originally from the faulty methods by which the Railways Board had sought to introduce the incentive bonus scheme. The annual conference of the Associated Society of Locomotive Engineers and Firemen (ASLEF) had rejected, in May, the latest of a series of proposals which had been worked out for this purpose; but, in response to the growing public discontent about the deterioration in services caused by the introduction of working-to-rule, the Executive of the union had undertaken to recall the conference on 10th August and to recommend that negotiations on incentive bonuses should continue on the basis of "the highest possible payment with the minimum relaxation of the agreement on single manning". He had
made it clear to them that the Government could not contemplate a situation in which working-to-rule would continue unabated until the 10th August; and it would be necessary to consider again, early in the following week, what action should be taken if the union had by then failed to persuade their members to resume normal working pending the outcome of the reconvened conference. It might prove necessary to institute a Court of Inquiry into the dispute; but it would be desirable to defer action of this kind for as long as possible, since it might well cause the union to withdraw their offer to recall the annual conference and so exacerbate, rather than relieve, the present tension.

In discussion there was general agreement that, although the railwaymen were entitled to feel aggrieved about the anomalies and inequities of the present structure of their wage rates, the Government could not afford to compromise on the basic issue which was at stake in the present dispute i.e., the introduction of incentive schemes in order to increase productivity.

4. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C (65) 103) on the full reckoning for pension of unestablished civil service.

_The Chancellor of the Exchequer_ said that the Staff Side of the National Whitley Council had requested in January, 1965, that discussions should be initiated on their long-standing claim for all unestablished service to reckon in full for pension purposes on subsequent establishment. At present unestablished service reckoned in full if rendered after 14th July, 1949, and as to half if rendered before that date. In order to reduce the cost of the further concession now envisaged the Staff Side proposed that full reckoning should be introduced by stages; and they were prepared both to waive the claim that lump sums already paid on retirement should be recalculated and to accept a reasonable financial limit. They rested their claim on the comment of the Royal Commission on the Civil Service, 1953–55, that on full reckoning no question of principle was outstanding and that the sole consideration was that of cost; and they referred to a document issued by the Labour Party for the use of candidates in the General Election of 1964, which stated that the party accepted the principle of full reckoning. To concede full reckoning, however, would involve reopening conditions of service rendered many years ago by individuals who in many cases (including nearly all industrial civil servants) had had no expectation of establishment or pension at the time. It would also involve accepting as pensionable the service in the 1939–45 War of individuals who had entered the Civil Service after the war, whereas service in the 1914–18 War did not count at all; and it would undoubtedly go beyond the normal practice of the good employer. Full reckoning, including the recalculation of past lump sums, would cost £310 million over a long period, of which £38 million would be incurred in the first year. The
Government did not appear to be under any obligation to give priority to expenditure on a scheme of this nature over other parts of their social programme. A modified scheme at a cost which could be accommodated seemed likely to create more grievances than it would satisfy and might stimulate pressure for further concessions in this and allied fields. Proposals for a general increase in pensions for public servants, with effect from 1st January, 1966, would be brought forward shortly, with a view to legislation early in the following Session; and these might be regarded as having a stronger claim on the Exchequer than an increase in payments which would be limited to a particular section of those concerned. It was proposed, therefore, with the agreement of the Social Services Committee, to inform the Secretary-General of the Staff Side that, while the claim for full reckoning was not regarded as having no merit, it could not in present circumstances be given sufficient priority to justify detailed negotiations. It would also be necessary to resist pressure to undertake negotiations now with a view to introducing a scheme in two or three years' time.

In discussion there was general agreement with these proposals. It was suggested, however, that the Government's decision should not be conveyed to the Secretary-General of the Staff Side in the immediate future, since current negotiations on pensions between the London Transport Board and the transport trade unions might be prejudiced if the unions, who were pressing for an extension of certain limited arrangements for reckoning the unestablished service of their members, were able to claim that the Government might be prepared at some future date to accord more generous treatment to public servants.

Further discussion turned on the terms and timing of any statement of the Government's intention to increase public service pensions. On the one hand it was suggested that, if an announcement were made considerably in advance of the introduction of the necessary legislation, the Government would be criticised for not bringing it into effect before 1966 and would therefore be pressed to make the increases retrospective. On the other hand an indication of the Government's intentions given early in the Recess would allow time for the disappointment of those (particularly among pensioners of the Armed Services) who advocated the principle of parity to subside before Parliament reassembled. On balance, the least disadvantageous course might be to take the opportunity likely to be offered in the Parliamentary debate on the cost of living on 28th July to indicate that the Government were giving sympathetic consideration to an increase in public service pensions but to decline to discuss the proposals in detail on the ground that it would be improper to anticipate The Queen's Speech on the Opening of Parliament.

The Cabinet—

(1) Approved the proposals in C (65) 103.
(2) Invited the Chancellor of the Exchequer

(i) to arrange for the Government spokesman winding up the Parliamentary debate on the cost of living on 28th July to indicate that the Government were giving sympathetic consideration to the question of increasing public service pensions but to decline to discuss the Government's intentions in detail in anticipation of The Queen's Speech on the Opening of Parliament;

(ii) to inform the Secretary-General of the Staff Side of the National Whitley Council after the debate that in present circumstances the Government could not give sufficient priority to the introduction of full reckoning for unestablished service to justify negotiations for this purpose.

5. The Cabinet considered a memorandum by the Home Secretary (C (65) 104) about the frequency of publication of the electoral register.

The Home Secretary said that under present law one electoral register was published each year. From 1918 to 1926 there were two registers a year, the second having been abandoned in the latter year as a measure of economy. In 1946 the Oliver Committee on Electoral Registration (Cmd. 7004) had recommended the reinstatement of a second register; and provision had been made accordingly in the Representation of the People Act, 1948. In the following year, however, the second register had again been abolished by the Electoral Registers Act, 1949, primarily on financial grounds. This Act had also provided that persons who became 21 years of age after the qualifying date for the present annual register but before the qualifying date for the abolished autumn register should have their names specially registered for voting at elections held after the date of operation of the latter.

The main criticism of the present arrangements was that a register compiled on the basis of a qualifying date of 10th October was four months out of date when it came into use on 16th February and up to 16 months out of date if it were used for an election held early in the following year. A sample survey carried out by the Central Office of Information in 1958 had indicated that the register was just over 96 per cent accurate at the qualifying date and that it lost accuracy at the rate of a half per cent per month. On the basis of these statistics the register would be about 93\% per cent accurate on publication and 88 per cent accurate immediately before the publication of the ensuing register. The cost of preparing one annual register was at present £2.8 million for the whole of the United Kingdom; and this expenditure would be almost doubled if a second annual register were restored. About half the cost was at present met by the local authorities, since the register was used for local government, as well as Parliamentary, elections. But an autumn
register would be of no value for local government purposes; and local authorities might therefore expect the Exchequer to meet the whole of the additional expenditure involved.

The question of a second annual register was not specifically mentioned in the terms of reference of the Speaker's Conference on Electoral Law; but they were sufficiently wide to allow the conference to consider the issues involved and it was understood that they intended to do so. The conference were unlikely to report, however, in time for their recommendations to be given effect in legislation to be promoted in the next Session of Parliament. On the other hand, if a second annual register were to be restored and were to come into operation by the autumn of 1966, it would be necessary for legislation to be passed before the end of 1965.

Discussion showed considerable support for the institution of a second annual register. There was general agreement, however, that it would be preferable that this change should be seen, if possible, to result from the work of the Speaker's Conference, particularly since in the previous Parliament the Labour Party had rejected a proposal by the then Administration for the introduction of postal voting, on the ground that it would anticipate a general review by all parties of the electoral arrangements, and the Government might therefore be vulnerable to criticism if they were now to institute a change in electoral procedures before the Speaker's Conference had reported. Since the final report of the conference might not be available for some time, the Speaker might be requested to arrange for the production, as soon as possible, of an interim report on the first part of the terms of reference of the conference, which appeared to comprise the question of the electoral register. If, contrary to expectation, the conference were to take the view that this issue was not within their competence, the Cabinet would need to consider whether to reinstate a second register without more ado.

The Cabinet—

(1) Took note of C (65) 104.

(2) Invited the Home Secretary to request the Speaker to arrange for the Speaker's Conference on Electoral Law to produce an early interim report on the first part of their terms of reference, including the frequency of the preparation of electoral registers.

6. The Cabinet considered a memorandum by the Home Secretary (C (65) 107) to which was annexed a draft White Paper on young people in trouble.

The Home Secretary said that the White Paper was based on an urgent review of the problems of young offenders, which had been carried out by the Home Office in the light of the reports of the Labour Party Study Group, under the chairmanship of Lord
Longford, and of the Scottish Committee on Children and Young Persons under the chairmanship of Lord Kilbrandon. There had been no consultation, however, with outside organisations; and it was therefore suggested that the White Paper should be published as a statement of provisional proposals in order to encourage discussion and facilitate consultation. If the draft were approved, it would be desirable to give the organisations most closely concerned a summary of its proposals before publication.

The proposals foreshadowed a first step towards the reforms advocated by the Longford Group. They were based on the desire to remove children and young persons under 16 from the atmosphere of the courts and offenders between 16 and 21 from association with adult offenders. In the case of the younger age group questions of fact were seldom disputed; and the sole question at issue was usually how best a child who committed offences or was in need of care, protection or control could be dealt with. It was proposed that the child should be brought in the first instance before a family council, who would consider this question in consultation with his parents and, if possible, secure agreements on a method of treatment. If, however, the facts were disputed or agreement was not reached, the case would go to a family court. Family councils would be appointed by local authorities and would be composed of social workers in the children's department, together with other individuals selected for their experience of children and their awareness of the problems facing the children and adults likely to come before them. Special courts would be constituted, consisting of panels of justices selected for their capacity for dealing with young persons. These, sitting as family courts, would deal with cases referred to them by family councils and would exercise the existing jurisdiction of magistrates' courts in relation to questions of adoption, applications for consent to marry and, possibly, affiliation proceedings where the respondent was under 21. Sitting as youth courts, they would exercise criminal jurisdiction in relation to offences alleged to have been committed by persons between 16 and 21, except as regards the more serious cases which they would commit to Assizes or Quarter Sessions. When they dealt with other indictable cases not appropriate to summary jurisdiction a legally qualified chairman would preside. The range of treatment available for children and young persons would be similar to that existing at present, subject to certain modifications, the most important of which would be the transfer of the majority of approved schools from voluntary managers to local authorities, who would exercise a flexible control over the length of time which a child spent in a school. Senior approved schools would be combined with borstals to form a system of youth training centres under the control of the Home Office.

Since it was necessary, in order to make an impact on the growing problem of juvenile delinquency, to start by dealing with maladjustment in family relationships, it was proposed to accept in principle the concept of a family service and to appoint a small independent committee to review the organisation and responsibilities of the local authority social services and to consider what changes
were desirable to ensure the creation of an effective family service. The development of the preventive work which local authorities were already undertaking in the exercise of the powers conferred upon them by Section 1 of the Children and Young Persons' Act, 1963, would continue.

In discussion it was explained that some members of the Social Services Committee had hoped to avoid the necessity of appointing a committee to consider the organisation of a family service; but they had accepted, though with regret, the strong advice tendered not only by the Ministers concerned with the relevant local authority services but also by a distinguished group of independent persons that some form of independent inquiry was essential, since the local authorities would be liable to be offended if proposals for the reorganisation of the services for which they were responsible were promulgated, even provisionally, without consultation with them. It was desirable that the independent committee should complete its work as quickly as possible; but this should not be allowed to prejudice the effectiveness of their inquiry. In order to ensure that the coherence of the local services would be preserved, it was desirable that the committee should consider not only the services provided for families with children but also those relating to persons living alone and to childless couples. It was suggested, and agreed, that the terms of reference of the proposed committee should refer to the local authority “personal social services”; but a suggestion that the committee should be charged to consider what changes were desirable in order to ensure “an effective service for every family” instead of “an effective family service” was not accepted.

Discussion then turned to the proposals for dealing with young offenders. It was suggested that those sections of public opinion which had advocated reform of the means of dealing with young offenders would be disappointed that it was apparently proposed to shift the emphasis from the consideration of their circumstances by expert social workers to an examination by bodies composed of persons without training in social work and probably of predominantly middle-class background. Since those most likely to have understanding of the problems facing the families who would come before the councils would be parents from similar income groups who had succeeded in bringing up their children without family breakdown or delinquency, it would be desirable to ensure that individuals of this kind were selected for the councils; and local authorities, in making their selection, should have these considerations in mind. They should be encouraged to arrange for family councils to sit in the evening, when it would be easier for working-class members and for parents to attend. In view of the public anxiety about offences committed by young persons it should be made clear that the family councils would not deal with serious offences. In general, however, the public reaction to the White Paper might be expected to be favourable, as it had been to the Government's acceptance of the somewhat similar measures recommended by the Kilbrandon Committee.
In discussion of the text of the White Paper the following main points were made:

(a) A different title should be sought, since “Young People in Trouble” might attract some ridicule.

(b) The last sentence of paragraph 41 should be either omitted or amended. The proposals for after-care depended on the rapid expansion of the probation and after-care service; and there should be no suggestion of complacency on this score.

(c) It should be made clear that the White Paper itself and the proposed committee on a family service were concerned only with England and Wales.

The Prime Minister, summing up the discussion, said that the proposals in the draft White Paper were approved as a basis for consultation and public discussion; and the Home Secretary and the Chancellor of the Duchy of Lancaster might inform the organisations concerned, in advance of publication, on the lines proposed in paragraphs 4 and 5 of C (65) 107. The date of publication should be considered in the context of the programme for the publication of White Papers during the autumn, which the Lord President was preparing. It would be convenient if the Chancellor of the Duchy of Lancaster would co-ordinate consideration by the Home Secretary, the Secretary of State for Education and Science and the Minister of Health of the membership of the committee on a family service; but the appointments should be made jointly by the Ministers departmentally responsible for the activities in question, who should also undertake any necessary approaches to outside bodies. This, however, should be without prejudice to the allocation of departmental responsibility for whatever form of family service might eventually be adopted.

The Cabinet—

(1) Approved, subject to the amendments suggested in their discussion, the draft White Paper appended to C (65) 107.

(2) Invited the Home Secretary to inform the organisations concerned of the proposals in the White Paper before publication.

(3) Invited the Chancellor of the Duchy of Lancaster—

   (i) to inform the Local Authority Associations of the proposal to set up the committee indicated in paragraph 7 of the White Paper;
   (ii) to co-ordinate consideration by the relevant departmental Ministers of the selection of individuals to be appointed to the committee.

(4) Invited the Home Secretary, the Secretary of State for Education and Science and the Minister of Health to arrange to appoint the proposed committee jointly.
7. The Cabinet had before them a Note by the Chancellor of the Duchy of Lancaster (C (65) 106), to which was appended the draft of a White Paper on the Parliamentary Commissioner.

The Chancellor of the Duchy said that the White Paper gave effect to the decisions which the Cabinet had taken at a previous meeting. The draft would be improved by the addition of headings to various sections; and the list of Departments to be subject to investigation by the Commissioner might be transferred to an Annex.

In discussion there was general agreement with the text of the White Paper, subject to the amendments proposed by the Chancellor of the Duchy. It would be preferable however, that the list of Departments to be subject to scrutiny by the Commissioner should be retained in paragraph 7, since this would give greater emphasis to the scope of the Commissioner's functions. In addition, the text should be amended to explain why the Commissioner would act only at the instance of a Member of the House of Commons, rather than at the instance of any Member of Parliament. For this purpose the words "as the representative House of Parliament" might be inserted after "House of Commons" at the beginning of paragraph 6.

The Cabinet —

(1) Approved the draft of the White Paper attached to C (65) 106, subject to the drafting amendments proposed in discussion.

(2) Took note that the Prime Minister would give further consideration to the question of Ministerial responsibility for the White Paper and the ensuing Bill and to the timing of the publication of the White Paper.

Cabinet Office, S.W.1,
22nd July, 1965.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 27th July, 1965, at 10 a.m.

PRESIDED:
The Right Hon. HAROLD WILSON, M.P., Prime Minister

The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs

The Right Hon. LORD GARDINER, Lord Chancellor

The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs

The Right Hon. Sir FRANK SOKRICE, Q.C., M.P., Secretary of State for the Home Department

The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland

The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies

The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal

The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government

The Right Hon. R. J. GUNTER, M.P., Minister of Labour

The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. TOM FRASER, M.P., Minister of Transport

The Right Hon. KENNETH ROBINSON, M.P., Minister of Health

The Right Hon. CHARLES PANNELL, M.P., Minister of Public Building and Works

The following were also present:

The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government

The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The following were also present:

The Right Hon. KENNETH ROBINSON, M.P., Minister of Health

The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government

The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade

The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science

The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster

The Right Hon. FRANK COUSINS, M.P., Minister of Technology

The Right Hon. FREDERICK LEE, M.P., Minister of Power

The Right Hon. MARGARET HERBISON, M.T., Minister of Pensions and National Insurance

The Right Hon. ROY JENKINS, M.P., Minister of Aviation

The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:

SIR BURKE TREND
Mr. P. ROGERS
Mr. J. H. LOCKE

SECRET
Subject

ECONOMIC SITUATION
The Cabinet considered a note by the Prime Minister (C (65) 113) covering a draft of a Parliamentary statement to be made by the Chancellor of the Exchequer on additional economic measures.

The Prime Minister said that over the previous few days he and the Ministers in charge of the economic Departments had been considering what measures should be taken in view of the serious pressure which had developed on sterling. The fundamental problem was a lack of confidence in the future of the United Kingdom economy and of the sterling parity. It was not primarily a problem of speculation against the pound although that had contributed to it. The essential problem was that we had sterling deposits of some £4,000 million which had been held in London since the war, mainly by Commonwealth countries. If a lack of confidence in sterling developed it was natural for part of these reserves to be withdrawn. There was a serious risk that unless strong action were taken which would convince financial circles overseas of our determination to rectify the balance of payments, further heavy withdrawals would take place.

The measures taken already had improved the situation and the deficit in 1965 was expected to be less than half that of 1964. Nevertheless it seemed that the rise in exports was now levelling off and the best estimates which could be made suggested that on present policies there would be a significant deficit even in the second half of 1966. If we continued restrictions on imports of the present order the deficit might only be of the order of £100 to £150 million a year. But further measures were needed to reinforce existing policies.

The measures proposed in the draft Statement were designed to produce an improvement in all factors affecting the balance of payments. Stringent controls had already been introduced on the capital account and the further measures now proposed were expected to save £45 million in a full year. The improvement in export credit facilities might produce results greater than were estimated. But the main measures were designed to attack on a selective basis the overheating which existed in certain parts of the economy and which was having an effect both on our ability to produce goods for export and on the demand for imports. The measures proposed to reduce expenditure in the public sector would be unpalatable. The previous Administration had embarked on programmes of expenditure, particularly on construction, which were at present beyond our resources to carry out in full. It was therefore proposed to postpone for a period projects which were not essential. Most of the cuts would fall on the periphery of public expenditure. Schools, houses and hospitals as well as industrial building and projects in high unemployment areas would all be exempted. Local authority expenditure however had risen very greatly and the postponement of the less essential projects would be both sensible, in that it would facilitate the earlier completion of more important works, and popular with ratepayers. These measures should not cause unemployment, but would lead to a desirable redeployment of labour. In the private
sector, control would be introduced over major projects which were not essential to the national economy and this should make it easier to defend the postponement of public works.

It would also be wise to announce now the postponement of certain schemes of social importance which the Government had originally contemplated introducing in the near future. As a result of the public expenditure review which the Cabinet was undertaking it seemed clear that it would not be possible to find room for the abolition of the remaining health charges, or the introduction of assistance for private mortgages, in 1966. Nor did it seem possible to work out a scheme for the income guarantee which would be both attractive and financially practicable within the limits of social security expenditure which were envisaged. If the Government intended in any case to postpone these projects for a time, it would be well to announce this now in the context of the economic difficulties. There was no doubt that a reduction in public expenditure both on existing projects and on new schemes would be regarded overseas as the clearest proof of the Government’s intention to get the economy in balance. This would have a far greater effect on confidence than increases in taxation.

The Chancellor of the Exchequer said that the problem was not simply a temporary lack of confidence in the pound but a serious lack of confidence overseas in the future of the country. We were continuing to live on borrowings and this situation could not be corrected without a slowing down in the rate of growth of the economy. A reflux of money into London would remove the immediate difficulties, but as long as the current balance of payments was in deficit the economy would be unstable. The level of demand at home was too high to achieve the balance of payments surplus which was essential if we were to begin to repay our borrowings. It was not certain that even the measures suggested in the draft statement would suffice to ensure that our payments were in balance by the end of 1966.

The First Secretary of State said that expert advice was that it might not be possible to hold the position in the next few weeks unless confidence was restored. It might be argued that a change in the exchange rate was necessary to deal with the problem; but Ministers were agreed that this possibility should be ruled out. The measures to be adopted at this point of time should be aimed at achieving the maximum possible effect on confidence overseas for the minimum damage to the economy at home. Long-term measures for improving the balance of payments in 1966 were of little use if they would not also be likely to restore confidence immediately.

In discussion the view was expressed that the measures proposed were contrary to the policy which the Government had previously advocated for the expansion of the economy and that it would be preferable to adopt other means to meet the situation. It was the general view that a change in exchange rates was not acceptable, would not in any event avoid the necessity for other unpalatable measures to restore the balance of the economy and might moreover lead to yet further withdrawal of funds. Measures must therefore be
devised to restore confidence in sterling, to rectify the deficit in the balance of payments and to enable us to repay our borrowings. It was however open to question whether the measures proposed were adequate, or correctly devised for this purpose and it would be damaging if they had before long to be further reinforced. A decision was urgently necessary since expectations had been raised that further measures would be taken and the postponement of an announcement might of itself have serious consequences.

The following points were also made:

(a) It could be argued that private consumption ought to be restricted rather than public investment programmes. On the other hand, the use of the regulator would place further burdens on alcohol, tobacco and petrol on which taxes had already been increased in the earlier Budgets. Moreover, it would increase the cost of living and so lead to additional wage claims and to further strains on the attempt to keep rises in wages in line with increased productivity. An increase in income tax and surtax would, apart from requiring a further Finance Bill which would be difficult to introduce at this point in the session, in any case be unacceptable at home and fail to restore confidence abroad.

(b) There was a risk that the postponement of public expenditure and the restrictions on private building and hire purchases would lead to a substantial down-turn in the economy by reinforcing the effect of the measures already taken. There was evidence that the rate of growth in the economy had slowed down already and it could well be that the result of these measures would be a period of stagnation after which it would be necessary to reflate the economy. On the other hand, it could be argued that further mild restraint on the total level of demand was still needed; and that it would be easy to relax the restrictions or to use the regulator if a down-turn seemed likely later in the year.

(c) It could be argued that the measures taken in relation to imports and exports would not deal with the fundamental problem. If the position were so serious it would be desirable to introduce direct control of imports, if necessary through quotas, with the aim of reducing the level of imports by some £200 million. It was, however, possible that the retention of the surcharge, which was currently holding imports to something like their 1964 level, might create fewer international difficulties, particularly with the Commonwealth and the European Free Trade Association (EFTA) than the introduction of quotas. It would not be possible for the Cabinet to take a final decision on this until the reactions of other countries could be assessed, perhaps in September.

(d) It would be easier to defend the adoption of the measures if, at the same time, a substantial cut were made in the defence programme, and particularly in the oversea expenditure involved. The defence Budget could not however be reduced beyond the figure now envisaged for 1966-67 unless decisions were taken to reduce
existing commitments overseas. The Defence Review would not have reached a stage which would enable such decisions to be taken until the autumn.

(e) It could be argued that much sterner measures were needed to restrict the growth in wage rates, profits and prices. There was no doubt that a six months’ statutory freeze on wage increases would have more effect on confidence overseas than any other measure. A complete freeze of this kind would however be unenforceable and would only increase the difficulties of a long-term policy. It might, nevertheless, be worth considering whether it should be made compulsory for wage claims to be submitted to the National Board for Prices and Incomes. A much firmer policy might have to be adopted by the Government on wage issues in the future.

(f) It would be essential for the Government to show its determination to take action to eradicate restrictive practices on both sides of industry. The Committee of Enquiry under Lord Devlin into dock working might well provide an occasion for resolute action.

(g) It could be argued that the policies proposed were broadly similar to those which had been used by the previous Administration. It would appear that the Government was relying on deflationary policies and the creation of unemployment to solve the economic problem. On the other hand, it could be demonstrated that there were major differences between the policy proposed and that of the previous Administration, including the selective nature of the cuts in expenditure to preserve measures of industrial or social importance, the discrimination in favour of areas of high unemployment, the large reduction in the defence programme and the adoption of the long-term expansion programme, both for the economy as a whole and for public expenditure programmes in particular.

(h) The effect on the construction industry of the postponement of public sector projects and the introduction of building licensing should not be under-estimated. It would be likely to cause major dislocations in the programmes of large contractors even if there were differences of view about the extent of unemployment which would arise in the building industry. It would be wrong to suppose that in six months’ time it would be possible to bring forward projects in such a way that there would be no disturbance. It would be desirable to give some reassurance to the building industry that it was not intended to create a large fluctuation in output or to weaken in any way the drive for increased productivity.

(i) It would be essential to use the breathing space secured by the present measures to begin discussions internationally and in particular with the United States on long-term measures to underpin sterling. It would also be important to make arrangements for the repayment of the present short-term loans. We should however seek an alternative to continued reliance on financial support from the United States and other foreign banks, having regard to the consequent constraint imposed on our overseas policy.

Summing up the discussion to this point The Prime Minister said that grave anxiety had been expressed by the Cabinet about the need to adopt the measures proposed in the Draft Statement.
There was however general agreement on the need to restore confidence in sterling and redress the position of our balance of payments and though doubts had been expressed on the adequacy or suitability of the measures proposed the balance of opinion was that they should be adopted. The control of imports in future was an issue which would require further consideration. It would also be necessary for the Cabinet to discuss more fully and with more adequate time the longer-term economic problem and he would consider how best this could be arranged.

The Chancellor of the Exchequer said that it might be preferable for the Statement in Parliament to be made by the Prime Minister rather than himself in order to give added weight to the significance of the Statement and in view of the extent of the measures involved in other departmental fields.

In discussion it was recognised that there were also political arguments in favour of this course. On the other hand it was important to maintain the standing of the Chancellor of the Exchequer in dealing with the financial problems facing the country and the balance of opinion was in favour of his making the statement.

The Cabinet then considered the text of the proposed Statement. A number of drafting amendments were agreed and in addition the following main points were made:

(j) It should be made clear that the postponement of public capital projects did not apply to industrial projects or those bearing on the modernisation of industry and research relevant to it.

(k) It was recognised that there would be special cases where the postponement of the starting date of new contracts for six months would prevent the completion of projects already in hand, where postponement would involve waste or where other special factors operated. Such cases would have to be considered individually. The wording in the Draft Statement was intended to leave the possibility of individual exemption open but it would be undesirable to draw specific attention to it.

(l) The reference to loan sanctions for local authorities should be expanded to cover grants.

(m) An additional paragraph should be included dealing with Government expenditure in 1966–67.

(n) The reference to a reduction of £500 million by 1969–70 in defence expenditure should be to £400 million, which was slightly more than the target saving at constant prices. On the same basis the saving in 1966–67 would be about £100 million.

(o) The Minister of Works said that he would prefer the minimum limit for licensing of private investment projects to be £150,000 rather than £100,000 in order to enable the administration of the scheme to be handled at headquarters. The general view, however, was that a limit of £100,000 would be preferable on
economic grounds and that this should be capable of being administered by the Ministry's headquarters provided there were consultation with Regional Boards.

(p) Expenditure by the gas and electricity industries on promoting the sale of their products appeared to be rising excessively and reference should be made to its possible reduction.

(q) A reference should be included to action to improve the efficiency of the docks and access to them.

(r) The Minister of Pensions and National Insurance suggested that the postponement of the income guarantee might be made more acceptable by an indication of the Government's longer-term social policies through the amalgamation of the National Assistance Board with her Ministry to form a Ministry of Social Security. There was however general agreement that while this might be considered at a later stage it would be premature to take an immediate decision on such an issue.

(s) The reference to restrictive practices in the conclusion should be omitted since it was not practicable at this stage to include anything significant about incomes and prices generally.

The Cabinet—

(1) Approved the Draft Statement attached to C(65)113 as amended during the discussion.

(2) Invited the Chancellor of the Exchequer to make the statement in Parliament that afternoon.

Cabinet Office, S.W.1,
CONCLUSIONs of a Meeting of the Cabinet held in the
Prime Minister's Room, House of Commons, S.W.1,
on Tuesday, 27th July, 1965, at 6.30 p.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. MIKEAL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. SIR FRANK SOKICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health
The Right Hon. SIR ELWYN JONES, Q.C., M.P., Attorney-General

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Mr. D. S. Laskey

SECRET
Subject
COMMONWEALTH IMMIGRATION
The Cabinet considered a memorandum by the Lord President of the Council (C (65) 109) to which were annexed drafts of a White Paper and of a statement of Government policy, on Commonwealth immigration, and a memorandum by the Home Secretary (C (65) 111) on the admission of foreign workers.

The Lord President said that the statement of Government policy would be made on 2nd August and it was intended that the White Paper should be published later the same day.

The following main points were made in the discussion of the White Paper.

Vouchers

The Lord President said that the Cabinet had decided on 8th July that the total number of vouchers should be 8,500 a year. Within this total 1,000 vouchers would be available for immigrants from Malta as a temporary arrangement subject to review after two years. The Cabinet had taken the view that no publicity should be given to this arrangement and that the total figure for vouchers should not otherwise be divided into quotas for separate countries. In fact, however, the arrangement for Malta had already become known and the Commonwealth Immigration Committee therefore recommended that it should be mentioned in the White Paper. It was also recommended that, to ensure a fair distribution, no one Commonwealth country should be given more than 15 per cent of the total of Category A vouchers, and that this should also be mentioned in the White Paper.

In discussion it was pointed out that the special arrangement for Malta was being made not because of a specific commitment to accept Maltese immigrants but because of our obligation to assist Malta to deal with the economic difficulties caused by changes in our defence policy. However, if this were explicitly stated in the White Paper it might set a precedent for similar claims from other territories. The White Paper should therefore refer to our special obligations to Malta without specifying how these arose. It would also be preferable that the White Paper should refer to a total of 8,500 vouchers within which there would be an allocation of 1,000 vouchers for Malta; and this allocation would be subject to review after two years.

The Lord President said that in addition to the limit of 15 per cent of the vouchers for any one Commonwealth country it was recommended that in the allocation of Category A vouchers the Minister of Labour should normally deal with applications in the order of the date of their receipt but should have discretion to give a measure of priority to the more essential types of employment such as the hospital and transport services.

In discussion it was pointed out that if Category A vouchers were allocated according to a system of priorities this would mean that we should be distributing all the vouchers in accordance with
the needs of the United Kingdom and without regard to the interests of the Commonwealth countries, whereas the conclusion of the Cabinet on 8th July was that the Category A vouchers should be issued according to the date of the application. It should therefore be made clear in the White Paper that Category A vouchers would be available for unskilled as well as skilled workers and that the applications would generally be dealt with in the order of the date of their receipt. In administering the scheme, however, the Minister of Labour should have a measure of discretion in allocating these vouchers.

Aliens

The Home Secretary said that he had been invited to report to the Cabinet if it appeared that the number of aliens accepted for permanent settlement in the United Kingdom was likely to rise above 6,000 a year. On the basis of the figures during the first six months it seemed likely that the total in 1965 would be over 11,000. The real comparison, however, should not exclude dependants and, on this basis, in 1964 55,900 Commonwealth immigrants were accepted for settlement as against 19,211 aliens. Even with the reduced number of vouchers now proposed for Commonwealth immigrants it seemed likely that their total, including dependants, would be at least double that of alien immigrants for several years to come. There would also be practical difficulties about restricting the number of alien workers accepted for permanent settlement since permission for such settlement could only be sought after the alien had been resident for four years in this country.

In discussion it was suggested that it would be difficult to defend a situation in which the number of alien workers settling permanently in this country was higher than that of Commonwealth workers, and that measures should therefore be taken to ensure that the number of such aliens did not rise above the present level. This was also desirable in order to prevent a possible increase in the number of alien workers to fill jobs which would be available owing to the reduced number of Commonwealth immigrants admitted under the voucher scheme. On the other hand it was pointed out that restrictions on the issue of work permits for aliens would be contrary to our traditional policy and would have a damaging effect on the employment needs in this country. Since it seemed certain in any event that for many years the total number of Commonwealth immigrants would greatly exceed the number of alien immigrants, new restrictions on the entry of aliens should not be imposed. The point should not be specifically mentioned in the White Paper, but if questions were asked it should be stated that it would be the policy of the Government that the number of non-Commonwealth immigrants admitted for permanent settlement would continue to be restricted to a figure considerably below that for Commonwealth immigrants.

Dependants

The Lord President said that the Commonwealth Immigration Committee proposed a scheme whereby immigrant workers, both
those already in the United Kingdom and those coming in future,
would declare their dependants, if they wished them to come to the
United Kingdom, so that the particulars could be checked in the
country of origin and entry certificates issued. The scheme would
be designed to prevent evasion of the controls and although it could
not be fully effective, particularly during the initial stage, it was
desirable that it should be introduced as soon as possible in order
to check the influx of dependants to this country which might
otherwise follow the publication of the White Paper. A firm date of
1st September should therefore be given in the White Paper for the
introduction of the scheme.

In discussion it was pointed out that the scheme would be
difficult to administer, both by the Home Office in this country and
by the Commonwealth Relations Office and the Colonial Office in
respect of the countries of origin. The White Paper stated that the
forms which immigrants would require for the declaration of their
dependants would be available early in September; it would be
difficult to be more specific than this. This part of the White Paper
should therefore stand as drafted.

**Conditions of entry**

*The Home Secretary* said that it had been agreed that power
should be taken to require Commonwealth students and other
immigrants whose *bona fides* were in doubt to register with the
police, but it had been suggested that this power should not be
exercisable unless expressly conferred by a statutory instrument
subject to the Affirmative Resolution procedure. If control were to
be effective and evasion prevented it was essential that immigration
officers should be able to require registration with the police as a
condition of entry, although this power would in fact be exercised
very sparingly.

In discussion it was agreed that the Affirmative Resolution
procedure need not be followed in respect of the power to require
registration with the police.

**Repatriation**

*The Home Secretary* said that in accordance with the Cabinet
decision on 8th July he proposed to seek a general power, in addition
to his power to act on the recommendation of a Court, to repatriate
a Commonwealth citizen if he considered the public interest to
require it. This was necessary if he were to be able to deal effectively
with Commonwealth immigrants whose conduct or activities clearly
pointed to repatriation but fell short of criminal activities which
could be proved in a court of law and could not therefore be made
the basis of a criminal charge. The powers he would seek in respect
of Commonwealth immigrants would go no further than the powers
he already possessed in the case of aliens.

In discussion it was pointed out that the Home Secretary’s
powers in relation to aliens already aroused criticism and the
extension of such powers to Commonwealth immigrants would be regarded as unjustified both in this country and in the Commonwealth. The power to repatriate Commonwealth immigrants other than on the recommendation of a Court should therefore be limited to cases in which the immigrant had evaded control, for instance by obtaining entry by misrepresentation or by disregarding the conditions on which he had been admitted. The relevant paragraphs of the White Paper should be amended in this sense.

Financial assistance for local authorities

The Lord President said that the Treasury had proposed a redraft of paragraph 62 of the White Paper.

In discussion there was agreement that the Treasury redraft should be accepted, though the words "for a limited period" should be omitted. It seemed inevitable that the special measures envisaged would have to be continued for a number of years but the omission of these words would not prevent the arrangements being reviewed, and if necessary modified, from time to time.

A number of other amendments to the White Paper and to the statement of Government policy were agreed.

The Prime Minister said that, subject to the amendments agreed in discussion, the statement of Government policy would be made on 2nd August and the White Paper published on the same day. He proposed that the White Paper should be issued in his name and that, in his absence, the Lord President should make the statement on his behalf.

The Cabinet—

(1) Approved the drafts of the White Paper and of the statement of Government policy annexed to C (65) 109, subject to the amendments agreed in discussion.

(2) Took note that the statement of Government policy would be made by the Lord President of the Council on 2nd August, and that the White Paper would be published in the Prime Minister's name on the same day.

Cabinet Office, S.W.1,
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 29th July, 1965,
at 10.30 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister (Items 1-3)
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs (In the Chair for Items 4 and 5)
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power

The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade (Items 1-4)
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport

The Right Hon. Barbara Castle, M.P.,
Minister of Overseas Development
The following were also present:

The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Items 3 and 4)

The Right Hon. MARGARET HERBISON, M.P., Minister of Pensions and National Insurance (Items 3 and 4)

The Right Hon. JOHN DIAMOND, M.P., Joint Chief Secretary, Treasury (Items 3-5)

Mr. RICHARD MARSH, M.P., Joint Parliamentary Secretary, Ministry of Labour (Items 3 and 4)

The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretarial:

Mr. P. ROGERS
Mr. L. ERRINGTON
Mr. J. H. LOCKE

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Foreign Secretary said that the Eighteen-Nation Disarmament Conference had reopened at Geneva on 27th July. Meanwhile we had circulated, for discussion in the Council of the North Atlantic Treaty Organisation (NATO), the draft of a treaty providing for the non-dissemination of nuclear weapons. The United States had proposed to us certain amendments designed to keep open the possibility of such weapons being acquired by a future European association and used on the basis of a majority vote of the constituent countries. These amendments were unacceptable to us and had not so far been pressed in the NATO discussions. Our aim was to secure NATO agreement to the circulation of a draft treaty based jointly on a Canadian draft and on our own.

A principal cause of dispute with the Soviet Union would be their claim that the Atlantic Nuclear Force (ANF), or any similarly constituted force, would be contrary to the principle of non-dissemination. We did not accept that this was the case and it was our intention to seek agreement on a treaty and then to demonstrate that the ANF would not be in breach of it. This would be contrary to the view of the Federal German Government which was that we should seek to constitute the ANF before the treaty was actually signed.

The Cabinet—

Took note of the Foreign Secretary's statement.


Overseas aid

The Chancellor of the Exchequer said that since the previous discussion on the overseas aid programme he had considered in detail the programmes involved in relation to 1966-67. Absolute commitments for that year now totalled £198 million. It was clear that additional commitments would have to be incurred in the light of existing policies, including additional aid to India, Pakistan, East Africa and Malawi and for technical assistance projects. On the other hand, he was not satisfied that it was necessary to enter into additional commitments as large as the £73 million suggested by the Minister of Overseas Development. For example, it should be possible to reduce the amount envisaged for budgetary aid to Malawi in view of our own difficult situation, and other expenditure, such
as aid to Thailand, seemed unjustified in present circumstances. After a careful examination, project by project, it appeared that additional commitments totalling £49 million were probably inescapable. This would lead to a total commitment figure for 1966-67 of £247 million. But it would be reasonable to assume that £30 million of this would not be drawn on because of under-spending. On the other hand, there would undoubtedly be unforeseen demands, e.g., for Ceylon and Ghana. It would therefore be reasonable to fix a ceiling of £225 million for actual expenditure in 1966-67 even though this was slightly above the basic programme. In subsequent years the Minister would have much more freedom to reshape her programme as existing policy commitments ran out. It would therefore be reasonable to hold the expenditure figure at £225 million in subsequent years up to 1970. This would be a sustainable and viable programme, which must cover unforeseen contingencies.

It was not possible in view of all the uncertainties to produce any firm figure of the cost in foreign exchange which would be involved. Allowing for the differences of interpretation by departments, it could be estimated that the increase of £60 million in aid since 1964-65 would lead to an additional burden on the balance of payments of between £20 and £30 million in 1966-67. There was much wider disagreement about the foreign exchange cost in 1969-70.

The Minister of Overseas Development said that the figure she had proposed of £250 million represented no more than the continuation of existing policies. Any reduction in this figure would have serious effects on our relations with Colonial, Commonwealth and foreign countries. It would, for example, be impossible to reduce the figure for budgetary aid to Malawi without grave consequences. Technical assistance was already running at the rate of over £32 million in 1965-66 and the increase of £5 million provided in her programme for 1966-67 was very modest in the light of the decision already taken to expand it. Although she appreciated the effort by the Chancellor to meet the difficulties she had described at the previous meeting, even a figure of £225 million would have the most serious consequences.

In discussion the following points were made:

(a) In view of the extremely difficult economic situation facing the country it was a wrong use of our resources to increase the level of aid beyond the 1965-66 figure. We should, in fact, be borrowing additional money abroad in order to finance the aid.

(b) It might be represented that we had made cuts in investment and postponed urgently needed social measures at home in order to increase the aid programme and if other expenditure programmes had been examined in detail project by project this would have demonstrated equally strong cases for raising the allocations.

(c) On the other hand it could be argued that the basic programme for overseas aid was not adequate, at least in 1966-67, to allow for the orderly development of existing policy; and that a
figure of £225 million would in fact represent a more severe reduction than that which had been made in other programmes. If the programme were fixed as low as £216 million in 1966-67 the Cabinet would inevitably have to consider one by one a series of proposals for assistance which could not be met out of the programme but where the consequences of refusal would be seriously damaging to our interests overseas. The case of Ceylon, which was for consideration later on the agenda, illustrated the problem.

In further discussion the Chief Secretary, Treasury, said that there was a further special factor affecting the aid programme. Since the commitments were made in money terms there was no provision for increasing them if prices rose. They were therefore subject to a reduction in real value when inflation occurred whereas other programmes were protected against this.

The Prime Minister said that this had not been previously apparent to Ministers and it would be desirable for the Group of Ministers under the Chancellor of the Exchequer to meet again to consider the aid programme in the light of this factor and of the views now put forward by the Chancellor of the Exchequer on the inescapable nature of a substantial part of the programme. The Ministry of Overseas Development and the Treasury should agree all the figures, including the consequences of restricting the 1966-67 expenditure to any particular figure and a paper should then be circulated setting out the position. In the light of this further report the Cabinet would be able to take a final decision.

The Cabinet—

(1) Invited the Chief Secretary, Treasury, in consultation with the Minister of Overseas Development, to circulate a paper on the lines indicated by the Prime Minister.

(2) Invited the Chancellor of the Exchequer to arrange for the Group of Ministers concerned with the review of public expenditure up to 1969-70 to review the programme of overseas aid in the light of the discussion.

(3) Agreed to resume their discussion of the overseas aid programme at a subsequent meeting.

Social security

The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (C (65) 108) on social security benefits and the income guarantee.

The Chancellor of the Duchy of Lancaster said that the Cabinet had already taken a decision to postpone the introduction of the income guarantee and to proceed with wage related and short-term benefits. They had therefore in fact already adopted Course A set out in the memorandum. This could be financed within the limits recommended in C (65) 101.
The Minister of Pensions and National Insurance said that the report on her Department’s enquiry into the resources of old people would show that there was a substantial number entitled to National Assistance but not claiming it. This would add to criticism of the decision already taken to defer the income guarantee. Such criticism might be largely disarmed if it could be announced that National Assistance was being remodelled and a Ministry of Social Security set up to administer it. Some of the administrative improvements envisaged for the income guarantee could be incorporated and perhaps some preferential rates could be given, e.g., for the old. She had circulated proposals on these lines to the Group of Ministers who had considered policy on social security and they had received general support.

In discussion it was suggested that a decision to reform National Assistance, so as to present it as a substitute for the income guarantee, should not be taken until the possibility of working out a more attractive scheme of income guarantee, more akin to income tax in reverse, had been fully explored. There was now time to do this. On the other hand it had to be recognised that very thorough consideration had already been given to the form of the present scheme and that it was unlikely that anything substantially better could be devised.

In further discussion there was general support in principle for the ideas put forward by the Minister of Pensions and National Insurance but it was the general view that it would be unwise to make a final decision until specific proposals had been considered.

The Prime Minister, summing up this part of the discussion, said that the Cabinet supported in principle the idea of remodelling National Assistance on the lines proposed, but did not wish to be committed to a decision until they could consider a detailed scheme. The Minister of Pensions and National Insurance should therefore prepare, urgently, proposals for remodelling the administration of the present National Assistance scheme as far as possible on the lines envisaged for the income guarantee. These would then be considered by the Social Services Committee and thereafter the Cabinet could decide whether to adopt them or to proceed at a later date with the present income guarantee scheme.

The Cabinet—

(4) Invited the Minister of Pensions and National Insurance to circulate to the Social Services Committee a detailed scheme for the remodelling of National Assistance, in accordance with the Prime Minister’s summing up.

Housing

The Minister of Housing and Local Government said that during the previous discussion on housing he had entered a reservation to the recommendation in paragraph 53 (c) of C (65) 101 that there should be no additional expenditure on public sector housing in 1966–67 and that the provision of local authority houses in England
and Wales should be held in 1966 at the same level as 1965. He still considered that if, as seemed probable, there was a substantial fall in private sector house building in 1966, the public sector should be increased. This would, however, involve capital expenditure additional to the amount recommended in C (65) 101.

The Chancellor of the Exchequer said that he accepted the desirability of maintaining a reasonable level of output of houses but it must be recognised that an increase in the public sector above the limits set out in C (65) 101 could raise public expenditure above the 4½ per cent limit. He must therefore reserve the right to re-open discussion on this matter.

The Prime Minister said that it had been the general view of the Cabinet that the total housing programme should be kept at approximately its present level, any substantial fall in private house building being offset by an increase in the public sector. It was not, however, necessary at this stage to take any specific decision. The Ministry of Housing and Local Government should keep the matter under review.

With the exception of the overseas aid programme the Cabinet had now concluded its examination of the public expenditure programmes. For the other programmes the Cabinet had accepted the recommendations made in paragraph 55 of C (65) 101. The decisions on future programmes would be reviewed each year so that they would continue to cover a five-year period. Departmental estimates for 1966–67, other than those for overseas aid, should be drawn up on the basis of the allocation in C (65) 101 after allowing for any savings which might arise as a result of the postponement of capital investment in the public sector which had now been announced. The extent of these savings would depend on the time at which the postponed projects were brought back into the programme.

The Cabinet—

(5) Approved the Expenditure Programmes as set out in paragraph 55 of C (65) 101, other than that for overseas aid.

4. The Cabinet considered a memorandum by the Minister of Pensions and National Insurance (C (65) 112) on proposals for earnings-related short-term benefits.

The Minister of Pensions and National Insurance said that if earnings-related short-term benefits were to be introduced in October 1966 it was necessary to take decisions now on the general shape of the scheme so that the necessary consultations with the Trades Union Congress (TUC), the Confederation of British Industries (CBI) and
other bodies, and the drafting of legislation, might proceed. It would be necessary to pass a Bill before March 1966 if the administrative preparations were to be completed in time.

The scope of the graduated benefit which could be offered in an interim scheme, in advance of the general review of National Insurance as a whole, was limited by the present provisions for dependancy and family allowances which already led to over-compensation of the low wage-earner with a large family in relation to his normal earnings. Nevertheless her proposals would offer the single man, with earnings up to £30 a week, sickness and unemployment benefit of about half of his take-home pay, and about 90 per cent of all male workers had earnings within this level. Married men with children would, in the lower ranges earnings, get up to 90 per cent of their take-home pay. It would, however, be necessary to impose a ceiling on graduated benefit at this level. Graduated benefit would be paid for a maximum period of six months; for practical reasons, it would have to be related to earnings in the previous tax year and no allowance could be made, at least initially, for loss of earnings due to sickness and unemployment; nor could it be put into payment for the first 12 days. The scheme would be financed by a small addition to the graduated contribution chargeable to weekly earnings up to £30. It would, however, be necessary to make a change in the arrangements for those contracted out of the graduated pensions scheme who at present paid no graduated contributions: they would be brought into the graduated pensions scheme like everyone else but would pay a lower flat rate contribution and receive a lower pension, the amount of the abatement being related to the occupational pension entitlement by virtue of which they were contracted out. The change would have certain other advantages in easing the disproportionate weight of the existing contribution on the lower paid contracted out worker and in enabling the contracted out to qualify for the graduated widow's pension. The change would also yield some increase in contribution revenue which would enable a small reduction to be made in the general level of the flat rate contribution. Decisions were also required on two aspects of these proposals which were in dispute:

(i) whether earnings-related widow's allowance should be included in the scheme at an additional cost of £7 million a year, for which there was a strong social case;

(ii) whether earnings-related supplements should be paid on top of industrial injury benefit at an additional cost of £3½ million a year. The alternative was to allow the industrially injured to claim earnings-related sickness benefit where this would give them more than the present industrial injuries benefit, but the TUC was unlikely to find acceptable any diminution of the present differential of £2 15s. between the sickness benefit and industrial injury rates.

In discussion, concern was expressed at the proposal to bring into the graduated scheme those who had contracted out, in view of the
strong public criticism which had been made of that scheme. The TUC was also likely to object and should be consulted before a final decision was taken. Although the lower wage earner would benefit, the higher wage earner who was contracted out would pay a higher contribution. On the other hand it could be argued that the change was paving the way for the general reform of the pensions provisions which would ensure a better return on the graduated contribution by accelerating the maturity of the pension. It was also argued that final decisions should not be taken before there had been consultation with the local authorities, and similar bodies with occupational pension schemes, on the effect which the proposed changes would have on their schemes and arrangements for contracting out.

In further discussion of the proposals for an earnings-related supplement to widow’s allowance and industrial injuries benefit, it was pointed out that these additions would bring the cost of the scheme to £59 million a year of which only £14 million would be attributable to the introduction of earnings-related unemployment benefit which was the reason for introducing the scheme next year. While, with the deferment of the income guarantee, these additions would not of themselves lead to an excess of expenditure on the Ministry’s basic and additional programmes, there might be other and more desirable developments for which provision should be made and the Social Services Sub-Committee might be asked to report on priorities. On the other hand, at least in respect of industrial injuries, there was little prospect of anything less than the Minister’s proposal being acceptable to the TUC.

Summing up the discussion, the First Secretary of State said that the Cabinet had already decided that a scheme of earnings-related short-term benefits should be brought into force as soon as possible. The Minister of Pensions and National Insurance was seeking authority to consult with the TUC, the CBI and other bodies on the basis of the proposals she had put to the Cabinet. Such consultation was essential before final decisions could be taken by the Cabinet on the main features of the scheme. The Minister should include in the public bodies to be consulted those with substantial occupational schemes, including the local authorities. As regards the Minister’s proposals for widow’s allowance and industrial injury benefit, the former should be remitted to the Sub-Committee of the Social Services Committee for further consideration of the priority which should be accorded to it; the latter should be included among the proposals to be discussed with the TUC and other bodies concerned.

The Cabinet—

(1) Invited the Minister of Pensions and National Insurance, in the light of the points made in discussion, to open discussions with the Trades Union Congress, the Confederation of British Industries and other bodies on
the basis of her proposals in C(65) 112, including the addition of an earnings-related supplement to industrial injuries benefit.

(2) Invited the Chancellor of the Duchy of Lancaster to arrange for the Sub-Committee on Cash Benefits of the Social Services Committee to consider the priority which should be accorded to earnings-related widow's allowance.

(3) Agreed to resume discussion of the Minister's proposals in the light of her consultations in accordance with Conclusion (1).

5. The Commonwealth Secretary said that Ceylon's requirement of aid during the balance of 1965, if economic collapse were to be avoided, had been assessed by the International Bank for Reconstruction and Development (IBRD) at $50 million. With our encouragement the IBRD had arranged a meeting of potential donor countries in Washington, which was currently taking place. There were large United Kingdom economic interests at stake: remittances of profits and dividends of about £24 million a year, exports of £24 million a year and a capital investment of £100 million. If exports of tea from Ceylon were reduced as a result of internal disturbances, the price would rise, with damage to our balance of payments. In view of our past connection with Ceylon and the present degree of our economic involvement, we should be expected to take the lead in any rescue operation and if we did not offer a contribution, the meeting would fail. We should therefore make a minimum offer of $10 million and be prepared to go up to a maximum of $17 million to achieve the target of $50 million. This sum would, of course, have to be met out of any aid allocation that might eventually be approved by the Cabinet.

In discussion the view was expressed that it would be wrong to anticipate any conclusions the Cabinet might reach at a subsequent meeting about the total level of the aid programme and that the proposed commitment of aid to Ceylon at the present time could not fail to prejudice them. More time was required for the Cabinet to consider the political and economic issues involved.

In further discussion, the Minister of Overseas Development said that in view of the crucial nature of the current discussions and the need to take an immediate decision, she proposed that we should offer to provide $10 million for the current year out of her existing funds. This would be a confidential assurance to the IBRD with no public statement at this stage, and there would be no commitment at the present time to our making any contribution for the succeeding year. This sum could only be found by securing a postponement of a number of drawings on existing commitments, mostly to foreign countries. The Minister said however that this would not prejudice firm commitments to the Colonies already entered into for the current year.
The Cabinet—

(1) Approved the proposal by the Minister of Overseas Development.

(2) Invited the Commonwealth Secretary, in consultation with the Minister of Overseas Development, to instruct the United Kingdom representatives at the IBRD meeting in the sense of Conclusion (1).

Cabinet Office, S.W.1,
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 3rd August, 1965, at 10.30 a.m.

Present:

The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. MICHAEL STEWART, M P, Secretary of State for Foreign Affairs
The Right Hon. Sir FRANK SOSKICE, Q C, M P, Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. DOUGLAS JAY, M P, President of the Board of Trade
The Right Hon. ANTHONY CROSLAND, M P, Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M P, Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M P, Minister of Technology
The Right Hon. FREDERICK LEE, M P, Minister of Power
The Right Hon. HERBERT BOWDEN, M P, Lord President of the Council (Items 1-2)
The Right Hon. JAMES CALLAGHAN, M P, Chancellor of the Exchequer (Items 1-2)
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M P, Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M P, Secretary of State for Wales
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. R. J. GUNTER, M P, Minister of Housing and Local Government (Items 1-2)
The Right Hon. RICHARD CROSSMAN, M P, Minister of Housing and Local Government (Items 1-2)
The Right Hon. TOM FRASER, M P, Minister of Transport (Items 1-2)
The Right Hon. BARBARA CASTLE, M P, Minister of Overseas Development (Items 1-3)
The following were also present:
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Item 2)
The Right Hon. CHARLES PANNELL, M.P., Minister of Public Building and Works (Item 2)
The Right Hon. ROY JENKINS, M.P., Minister of Aviation (Items 2 and 3)
Mr. NORMAN PENTLAND, M.P., Joint Parliamentary Secretary, Ministry of Pensions and National Insurance (Item 3)

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. J. H. LOCKE
Mr. W. I. MCINDOE

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1. The Cabinet were informed of the business to be taken in the House of Commons in the first week after the summer recess.

2. The Cabinet considered a memorandum by the First Secretary of State (C (65) 116) to which was appended a selection of the most important chapters of the draft National Economic Plan.

The First Secretary of State said that the draft of the complete Plan had been prepared in consultation with all the Departments concerned. Some further revisions were necessary as a result of the economic and financial measures announced by the Chancellor of the Exchequer on 27th July. The chapter on agriculture had not yet been circulated, since it had not been possible to complete it until after the discussion on agricultural policy by the Ministerial Committee on Economic Development on 28th July, when decisions on long-term policy had been taken.

A suitable version of the draft had been circulated to the members of the National Economic Development Council (NEDC) on a personal basis and on the understanding that organisations of employers and trade unions would not be consulted. Redrafting in the light of the discussion in Cabinet and of the comments of the NEDC would continue up to 12th August, when the text would have to be sent to the printers. Proofs would be available from the printers on 20th August; and final Ministerial authority for publication would be needed in the week beginning 22nd August, if the Plan were to be published on 16th September as was at present contemplated. A short, popular version, designed for the general reader, would be published at the same time.

It was perhaps debatable whether, in the light of the current economic situation, it would be wise to seek to adhere to this timetable. If the measures which had been adopted to deal with our difficulties resulted in a relatively slow rate of economic growth over the next 18 months, it might prove to be impossible to ensure sufficient acceleration in later years to achieve the full objective of a 25 per cent increase in national output between 1964 and 1970. Nevertheless a period of relatively slow growth would not necessarily be an inappropriate time at which to publish a plan designed to encourage industry to take the necessary measures to achieve a faster rate. For this reason there was no justification for revising either the target for increased output or the date by which it should be achieved. The question of publication on 16th September could, of course, always be reconsidered if there were any unexpected developments before that date.

The Prime Minister said that suggestions for drafting amendments should be sent direct to the First Secretary of State; the Cabinet should confine their present discussion to major issues of policy and presentation.
In discussion the following main points were made:

(a) It could be argued that the chapter on the balance of payments would be vulnerable to expert scrutiny, since the forecast increase of 5\(\frac{1}{2}\) to 5\(\frac{1}{2}\) per cent a year in the volume of exports might be judged excessively optimistic in the light of present trends. Moreover, even on these assumptions, it would be difficult to ensure a sufficiently favourable balance to provide for the repayment of our indebtedness to the International Monetary Fund by 1970. On the other hand, industry believed that an increase in exports of this size could be secured; and it was important that the Government should be seen to take a reasonably optimistic view if industrialists were to be encouraged to plan for a sufficiently rapid rate of growth. It would be no less important, however, to emphasise the efforts which would be needed to achieve such a result.

(b) It could be argued that the means for giving effect to the Plan did not match the sophisticated planning apparatus in other countries and that the draft text did not sufficiently indicate the extent to which the Government would take deliberate action to ensure that it would be fulfilled. On the other hand the element of Government intervention in the economic plans of other Governments, e.g., France and Japan, was often overstated; and our own National Plan would not compare unfavourably with similar projects in other countries.

(c) The increase of 4\(\frac{1}{2}\) per cent a year in the level of public expenditure had been fixed on the assumption of an increase of 25 per cent in national output over the period in question. If this were not achieved, the proposed growth in public expenditure would be very high in relation to national income and might not be sustainable unless rates of taxation were increased. The reference to taxation in paragraph 76 of Chapter 1 might therefore need to be reconsidered.

(d) The outline of the Plan in Chapter 1 did not sufficiently relate the prospects of economic growth to developments in world trade, which would have important implications for the success of the Plan. It would also be desirable to include some reference to consultations with the Commonwealth on trade policies and on forward economic planning.

(e) It would be desirable to set the Plan more clearly in the context of the Government's policy of encouraging the modernisation of industry and promoting social policies which would liberate the nation's energies. It might also be desirable to emphasise the need to restrict the growth of private consumption in order to provide resources for additional public expenditure and investment. On the other hand there should be no suggestion that the Plan was a statement of the policies of the Labour Party, rather than the Government; and it would be inadvisable to overstress the restriction on the growth of private consumption.

(f) Reference to periodical revision of the Plan in future years was confined to a guarded statement in paragraph 61 of Chapter 1. This should suffice to avoid any commitment to publish a complete re-assessment every year. It would be important, however, to retain
freedom to revise individual targets from time to time in order to prevent the Government from being identified with estimates which, in the light of developments, had become out of date or unrealistic.

(g) The statistics relating to defence expenditure in the Plan should be re-examined in order to ensure that they were consistent with the Government's declared intention of confining the defence programme in real terms to the level of the 1964-65 estimates. But any attempt to include a specific estimate of the consequent reduction in defence expenditure overseas would pre-judge the outcome of the Defence Review as regards the extent to which our political commitments overseas might have to be reduced in order to secure the necessary economies in total.

(h) The passages dealing with the level of overseas aid would need to be reconsidered in the light of the Cabinet's final decision on this matter.

(i) The reference to the provision of new incentives to investment, in paragraph 41 of Chapter 1, should be re-examined, since the Chancellor of the Exchequer had indicated that the Government contemplated discussions with industry on this subject before decisions were taken.

(j) The statement that coal output was expected to decline to 170-180 million tons in 1970 would be the first public indication of the Government's intentions in this respect. It would be important, therefore, to be able to show that specific steps were being taken to absorb the labour which would become redundant.

(k) The reference to the Government's policy on prices and incomes might be strengthened on the lines indicated in the Prime Minister's speech in the House of Commons on 2nd August.

(l) It might be desirable that the capital expenditure on public housing should be excluded from Table 18.1, summarizing total public expenditure, on the grounds that only the figure of total capital expenditure on housing, both public and private, would be relevant and significant. On the other hand, the deletion of a major item of public expenditure from this table might be misleading. The point should be further considered.

The Prime Minister, summing up the discussion, said that there was general agreement that the Plan should be published in mid-September, notwithstanding the present economic situation and the measures which had been taken to deal with it. There was also general agreement that we should maintain the target of 25 per cent growth by 1970, on the grounds that the Plan could not be simply an extrapolation of past economic trends but must be designed to encourage industry to aim at a higher level of output. Although the estimate of the increase in exports was optimistic, it was essential to attain it; and the necessary policy steps must be taken. Individual chapters of the Plan should be adjusted, where necessary, to take account of the effects of the economic measures recently announced by the Chancellor of the Exchequer, particularly the postponement of certain projects of capital investment. He would undertake, in
consultation with the First Secretary of State, the Chancellor of the Exchequer, the President of the Board of Trade and the Minister of Labour to approve the final text for printing towards the end of August.

The Cabinet—

(1) Approved the general outline of the National Plan as set out in C (65) 116.

(2) Invited the First Secretary of State to revise the text of the Plan in the light of the discussion and of any further amendments submitted to him by Ministers.

(3) Took note that the Prime Minister, in consultation with the First Secretary of State, the Chancellor of the Exchequer, the President of the Board of Trade and the Minister of Labour would approve the final text of the Plan for printing at the end of August.

3. The Cabinet had before them memoranda by the Minister of Technology (C (65) 115) and by the Minister of Pensions and National Insurance (C (65) 117) dealing respectively with assistance to the computer industry and with requirements for the computer network for the Ministry of Pensions and National Insurance.

Assistance to the computer industry

The Minister of Technology said that the Government were committed to policies which would ensure the existence of a flourishing United Kingdom computer industry and a number of measures to this end had already been announced. It was clear, however, that these would not be sufficient to enable the industry to withstand the increased severity of competition from the United States and that some degree of preference for the United Kingdom industry was necessary. Government requirements for computers represented no more than about 10 per cent of the present United Kingdom market but the direction in which Government orders were placed exerted an influence on other potential purchasers and if a rising share of Government orders were to be placed with United States companies this would severely damage the reputation of the United Kingdom industry. Because of our international commitments it would be impracticable to increase the existing tariff preference of 14 per cent and the Government should therefore decide that computer needs in the Government sector should as a matter of policy be met by computers of United Kingdom manufacture except where no United Kingdom produced model could do the job or where it would involve more than 12 months additional delay. Such computers should be defined as any computer manufactured in the United Kingdom having not less than a specified United Kingdom content by value. This would include computers manufactured by certain United States subsidiaries established in the United Kingdom and it would be open to other such subsidiaries to qualify by increasing the extent of their manufacture in this
country. In the absence of open competitive tendering it would be necessary to maintain a check on the prices at which United Kingdom computers were offered by ascertaining the prices being charged to commercial users. These could in turn be checked against current prices for United States models and by the information available to the Computer Advisory Unit. A policy on these lines would be required for a minimum period of three years and could be reviewed thereafter.

Meanwhile officials should be required to prepare a report on a batch ordering system for requirements in the Government sector which would provide for the aggregation and the standardisation, as far as practicable, of Government requirements. The Ministers responsible for nationalised industries should press them to follow these proposals as a matter of national policy and consideration should be given to the inclusion of the hospital organisation.

Attempts to persuade the computer industry to adopt a more rational pattern of organisation had been made but offered no prospect of success unless more powerful measures were brought to bear. The possibility of doing so was however very limited since in existing circumstances it would be impracticable either to threaten to withdraw Government aid unless the firms concerned pooled their interests or, alternatively, to nationalise the industry. It was possible, however, that the current negotiations of the United Kingdom companies with French interests in computer development might lead to closer links between the United Kingdom firms and this issue should therefore be further considered in the light of the outcome of the proposed development of a large Anglo-French computer.

The Prime Minister suggested that there would be advantage in the establishment of a co-ordinating committee, which might meet monthly under the chairmanship of a senior official of the Ministry of Technology, to ascertain and co-ordinate the long-term requirements for computers in nationalised industries and in the public sector generally. The committee might also consider the requirements of the universities and of research establishments which were supported by Government funds. Its activities should enable the Government to influence the purchase of United Kingdom computers in a considerably wider field than that of Government requirements.

In discussion there was general agreement with the Prime Minister's proposal. In considering the degree of preference to be afforded to United Kingdom industry it was argued that there should be some limitation on the price differential, having regard to the existing degree of preference afforded by the 14 per cent tariff and the 10 per cent surcharge, since otherwise there would not be sufficient pressure upon the industry to make itself competitive. Furthermore, too large a degree of preference might in many instances counterbalance altogether the short-term savings to be gained by the installation of a computer as compared with existing methods. On the other hand, it was maintained that it would be
impracticable to lay down a clear figure in existing circumstances since this might well be evaded by the current practice of United States firms in offering computers, e.g., for educational establishments, at a very substantial discount.

The following main points were also made:

(a) The proposed margin of 12 months in favour of a United Kingdom produced model would provide an excessive degree of protection for the industry. It would also create delays in the necessary modernisation of our administration and, perhaps to an unacceptable extent, in the field of research and education. On the other hand, some account must be taken of the practice of United States industry in installing a model and testing it subsequently in situ, whereas it was United Kingdom practice to complete testing before installation.

(b) Where Government Departments or Government assisted institutions paid a higher price for United Kingdom models than for imported models, it would be appropriate for the additional cost to be borne on the Vote of the Ministry of Technology rather than on the Votes of the Departments concerned.

(c) The qualifying figure for the United Kingdom content of computers manufactured by foreign subsidiaries in the United Kingdom would be a matter for further discussion between Ministers concerned.

(d) The degree of Government assistance proposed for the industry made it necessary to contemplate further pressure for the rationalisation of its structure. Meanwhile the Government should consider the acquisition of a minority shareholding in the firms concerned.

The Prime Minister, summing up this part of the discussion, said that there was general agreement that further measures of assistance were necessary for the United Kingdom computer industry. It was also agreed that these need not be the subject of a public statement. Preference should be given to United Kingdom computers in the sense defined by the Minister of Technology provided that the price differential was not more than 25 per cent. A committee of Ministers should be set up to consider claims for exceptions to this rule, and to the proposed 12 months' delay, either where the Minister of Technology considered that a further degree of preference in money or in time was necessary in the interests of United Kingdom industry or where proposals for a lesser degree of such preference were advanced because of particular requirements, e.g., on operational grounds. A co-ordinating committee in respect of requirements in the public sector should also be established on the lines which he had proposed. Meanwhile the Minister of Technology should pursue the question of acquiring a minority shareholding in the United Kingdom firms concerned.

The Cabinet—

(1) Approved C(65) 115, subject to a limit in normal circumstances of a preference in price of 25 per cent for United Kingdom computers.
(2) Invited the Minister of Technology to arrange for the establishment of a committee for the co-ordination of purchases of computers in the public sector on the lines proposed by the Prime Minister.

(3) Took note that the Prime Minister would arrange for the establishment of a committee of Ministers to consider any proposals for individual exceptions to the general policy on the lines indicated in his summing up.

(4) Invited the Minister of Technology, in consultation with the First Secretary of State and the Chancellor of the Exchequer, to consider the possible acquisition of a minority shareholding in the United Kingdom firms producing computers.

(5) Invited the Minister of Technology, in consultation with other Ministers concerned, to define the qualifications for a United Kingdom computer in accordance with the general principles set out in C (65) 115.

(6) Invited the Chancellor of the Exchequer, in consultation with the Minister of Technology, to consider the Vote procedure for bearing the additional cost of buying United Kingdom computers.

Computers for the Ministry of Pensions and National Insurance

The Joint Parliamentary Secretary, Ministry of Pensions and National Insurance, said that he was concerned at the prolonged delay in placing an order for the first of a series of computers to be installed for the payment of National Insurance short-term benefits. In the field of social benefits, we could not contemplate the possibility of a deterioration in the service to beneficiaries which could result from the use of less than fully reliable equipment, while the delay was expensive in terms of eventual savings foregone. The tenders for the necessary computers had now been evaluated and the Remington Rand UNIVAC 494 computer system not only had the advantage over competing systems of affording a greater saving in administrative costs but was the only tendered system which was fully reliable. The extent of the advantages had been considered by officials and the proposal to purchase this computer was supported by the Treasury and by the Stationery Office. Officials had also considered the possibility of using the English Electric LEO-Marconi (EELM) installation with the substitution of reliable disc files for magnetic card files (which were unreliable) but this was estimated to be much more costly either than the EELM system with magnetic card files or than the UNIVAC 494. The possibility had subsequently been raised of using a new and improved form of disc files with the LEO 326 but delay would be involved while the new disc files, which were not yet in production, were tested and if any of the alternatives were then found acceptable, the equipment would need to be obtained from the United States. Delay in installation would involve a consequential delay in completing the national coverage
with a postponement of savings in money and manpower. The estimated staff saving when the system was complete was of the order of 5,000. After considering the general criteria proposed by the Minister of Technology for the purchase of computers for Government Departments there appeared nevertheless to be a clear case for ordering the UNIVAC 494.

The Minister of Technology said that the proposal was contrary to the general policy which the Cabinet had just approved. Furthermore, it was important that there should be full compatibility between the computers used by the Post Office, the Board of Inland Revenue and the Ministry of Pensions and National Insurance. The Post Office had already installed LEO computers and it was desirable that similar computers should be installed by the Ministry of Pensions and National Insurance. It was also important to note that the original tender for a UNIVAC computer had been for the UNIVAC 490 which was inferior in performance to the LEO 326 and that the UNIVAC 494 now advocated had not been fully tested.

In discussion it was suggested that expenditure of the order involved should in any case be postponed for a period of six months in pursuance of the Government’s policy, announced the previous week, for the deferment of certain public expenditure in the context of the current economic situation. Moreover, further consideration was required of the extent to which the total saving in money and staff which would be secured by the installation of a complete computer system for work on National Insurance short-term benefits justified the heavy capital cost of the computers in present circumstances, quite apart from the expenditure of foreign currency which would be involved. Examination of the papers had also revealed certain inconsistencies in the figures of performance and foreign exchange cost relating to the various alternative computers and the delay should therefore be used to reach agreement on the figures and to evaluate the new and improved form of disc files proposed for the LEO 326.

The Cabinet—

(7) Invited the First Secretary of State to arrange for the Ministerial Committee on Economic Development to consider, in the light of the points made in discussion, the cost, and expenditure of foreign currency, involved in the alternative computer systems in relation to the savings in manpower and money which would be secured.

(8) Invited the Minister of Technology, in consultation with the Parliamentary Secretary, Ministry of Pensions and National Insurance, to arrange for the necessary testing of the new form of disc files proposed for the LEO 326 computer.

(9) Agreed to resume their discussion at a subsequent meeting in the light of the outcome of Conclusions (7) and (8).
4. The Cabinet considered a memorandum by the Minister of Power (C (65) 110) about proposed increases in coal prices.

The Minister of Power said that in February the National Coal Board had thought that their 1965-66 deficit on revenue account would be about £40 million; but they now estimated it to be in the region of £55 million. Of this sum £30 million would be met by the capital reconstruction which the Cabinet had approved on 1st July. The Board proposed that the balance of £25 million should be recovered by price increases from 1st September and that, in order to further the policy of concentrating production on economic coalfields and of eliminating uneconomic pits, the increases for industrial coals should vary according to the coalfields concerned. Thus, the price of industrial coals from the Yorkshire and East Midland fields and from Scotland would not be raised but coals from other fields which contained a large number of uneconomic pits, e.g., South Wales, Durham and Northumberland, would be subjected to price increases of varying amounts. The Board had originally intended to increase prices from 1st April; but, with the agreement of Ministers, action had been deferred. A decision was now urgent, since postponement of the increase was resulting in substantial, cumulative losses.

The First Secretary of State said that in the limited context of the coal industry’s finances there might appear to be a good case for the proposed increases, although the reverse could be true if they had the effect of reducing the consumption of coal. In the wider context, however, they would be bound to have a damaging effect on the Government’s prices and incomes policy and on the credibility of that policy for the remainder of the year. It would be preferable, therefore, that they should be deferred for a further period and that other means of financing the Board’s deficit should be adopted.

In discussion, it was suggested that the application of price increases on a discriminatory basis to coals produced in uneconomic pits might, by increasing the fuel costs for industries in areas such as Northumberland, Durham and South Wales, react adversely on the Government’s policy of selective regional development. Moreover, the prospects for the coal industry itself in those areas, particularly in South Wales, would be seriously damaged.

The Prime Minister, summing up the discussion, said that there was a division of opinion on whether the proposed price increases should be introduced on the date suggested. But the method by which it was suggested that the increases should be applied raised a new principle which should be considered in greater detail by the Ministerial Committee on Economic Development in relation to the Government’s plans for regional development. Thereafter, the Minister of Power’s proposals could be considered further by the Cabinet, if possible at their next meeting.
The Cabinet—

(1) Invited the First Secretary of State to arrange for the Ministerial Committee on Economic Development to consider, as a matter of urgency, the implications of the coal price increases proposed in C (65) 110 in relation to the Government's plans for regional development.

(2) Agreed to resume their discussion in the light of the outcome of Conclusion (1).

Cabinet Office, S.W.1,
3rd August, 1965.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held in the Prime Minister's Room, House of Commons, S.W.1, on Thursday, 5th August, 1965, at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. HERBERT BOWDEN, M P, Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M P, Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence (Items 1 and 2)
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M P, Secretary of State for the Colonies (Items 1 and 2)
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M P, Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M P, Minister of Labour (Items 1 and 2)
The Right Hon. FREDERICK LEE, M P, Minister of Power
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal

The following were also present:
The Right Hon. JOHN DIAMOND, M P, Chief Secretary, Treasury
Mr. Clwyd ANTHONY, M P, Minister of State, Department of Economic Affairs
Mr. Cledwyn Hughes, M P, Minister of State, Commonwealth Relations Office (Items 1 and 2)
Mr. Austen ALBRECHT, M P, Minister of State, Department of Economic Affairs
Mr. Edward SHORT, M P, Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. J. H. LOCKE
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1. The Cabinet had before them a memorandum by the Prime Minister (C (65) 114), proposing that the period of 50 years which had been established by the Public Records Act, 1958, as the period within which Departmental records should not be available to the general public should be reduced to 30 years.

The Prime Minister said that the principle implicit in the concept of a closed period as regards the availability of Departmental records had been the subject of criticism by modern historians on the ground that the period of 50 years was unnecessarily long and that the rule was inimical both to the public interest and to the requirements of genuine scholars. Moreover, the Advisory Council on Public Records had recently recommended that the closed period should be reduced to 40 years and that even within that reduced period more liberal access should be allowed to established historians. The Scottish Records Advisory Council had made similar recommendations.

Fifty years was, admittedly, an arbitrary figure; and a balanced judgment of the considerations involved suggested that a closed period of 40 years, or even less, could be adopted without any damage to the basic objective of the rule, which was designed not only to prevent the premature disclosure of confidential information which might be prejudicial to the State but also, and chiefly, to preserve the constitutional principle of the collective responsibility of the Cabinet and the individual responsibility of Ministers to Parliament. On the other hand the recommendation of the Advisory Council that within the closed period more liberal access should be granted to established historians would be very difficult to implement in such a way as not to undermine these principles. The selection of the individuals to be granted this privileged degree of access would be invidious; the choice of the subjects in relation to which access might be allowed could be embarrassing; and the grant of access to Cabinet records on any discriminatory basis would be liable to be a particularly delicate issue in the light of the strictly enforced principle that access to the papers of the Cabinet and its Committees within the closed period was not granted to private individuals. For these reasons it might be preferable to find other means of satisfying the desire which had prompted the Advisory Council’s recommendation in this respect; and this might best be achieved if the closed period were reduced to 30, rather than 40, years, on the understanding that the existing safeguards against premature disclosure in appropriate cases would be retained, as follows:

(i) The provision in the Public Records Act, 1958, which allowed controlled access to records within the closed period of 50 years would be retained in relation to a closed period of 30 years; but it should continue to be implemented in a manner which would ensure that such access remained exceptional.

(ii) There should be no change in the arrangements whereby the Lord Chancellor would retain the power under the Act to
prescribe closure for longer periods, extending perhaps to 100 years, in relation to specific classes of records containing information which might either occasion embarrassment or distress to individuals or constitute a breach of confidence or involve special security considerations.

Provided that these safeguards were retained a reduction of the closed period to 30 years should not undermine the essential principles of public administration which the existing rule was designed to preserve; it would be consonant with the Government's policy of liberalising the convention by which public life was regulated; and it would bring our practice in this respect more nearly into line with that of other countries, who would otherwise remain free to publish biased and partisan accounts of events in which we had taken part while we should continue to be inhibited from making any adequate reply. Legislation would be required in order to effect the change; but, in anticipation of statutory action, it would be desirable, as an earnest of the Government's intentions, to de-restrict in a single operation the official records of the 1914–18 war instead of following the existing procedure of releasing them only one year at a time. This action could be taken by Order; and it would be convenient if the period of the war were interpreted as including the immediate aftermath of hostilities, i.e., up to the end of 1922, the year in which the Coalition Government fell.

In addition, two supplementary but separate measures might be taken in the same field:

(iii) On occasion the Government of the day might judge it to be in the public interest that a history of relatively recent events should be undertaken while the written records could still be supplemented by reference to the personal recollections of public men who had taken part in the events in question. For this purpose the range of the Official Histories, which had so far been confined to the two world wars, might be extended to include selected periods or episodes of peacetime history, on the understanding that the publication of works of this kind would need to be suspended for a time which would normally be at least equivalent to the 30-year closed period. In order that there should be no derogation from the principle that one Administration did not enjoy access to the policy records of its predecessors it would be necessary to arrange that any decision to commission such histories should be taken by the Government only with the consent of the other political parties or of some form of bi-partisan body, preferably consisting of Privy Counsellors.

(iv) Alternatively, or in addition, it might be desirable to publish in relation to particular episodes of peacetime history as much as possible of the relevant official documents. By analogy with the existing Foreign Office series of Documents on British Foreign Policy, these would have to be confined to the formal records illustrating the historical development and execution of policy and would exclude the internal records of discussions by means of which policy was formulated.
If the Cabinet endorsed these proposals, particularly the proposed change to a 30-year rule (both generally and as regards Cabinet records), it would be necessary to secure the agreement of the Opposition Leaders and to seek The Queen's approval in relation to Cabinet records. Thereafter the Government's intentions could be publicly announced and the necessary legislation could be introduced when Parliamentary time permitted.

In discussion there was general approval in principle of the proposal to reduce the closed period. It could be argued that a reduction to only 40 years would be preferable on the grounds that, particularly as regards foreign policy, some of the public records which would be released on the basis of a 30-year rule could be embarrassing in relation to the conduct of foreign policy and might be thought to be prejudicial to the public reputation of individuals who were still alive. Moreover, the Advisory Council's own recommendation suggested that a period of 40 years would suffice to achieve the purposes in question. On the other hand the risks of embarrassment implicit in a reduction to 30 years should not be exaggerated; and it was known that the Advisory Council would have recommended a closed period of 30 years if they had been allowed to believe that considerations of public policy would make this acceptable. The safeguards proposed in C (65) 114 would continue to be enforced, particularly the right to withhold certain categories of record for an indefinite period; and these should be adequate to protect both the Government and individuals from damaging disclosures.

In further discussion the following main points were made:

(a) It would be desirable to inform the Governments of other member countries of the Commonwealth of our intentions in advance of any public announcement. They could be assured that we should maintain the principle that documents of common concern to members of the Commonwealth, e.g., the records of Imperial or Commonwealth Conferences, would not be released without the consent of all the Governments concerned.

(b) It would be necessary to review Departmental records which had already been transferred to the Public Record Office on the basis of an assumption that they would not be made available to the general public for 50 years. Before a 30-year rule could be introduced Departments would need to have an opportunity to consider how many of these documents they would wish to continue to withhold for more than 30 years.

(c) At present Departmental records were normally transferred to the Public Record Office about 30 years after their creation, there to await the expiry of the 50-year period. If that period were now reduced to 30 years, it would be necessary to give further consideration, from the point of view of accessibility of the records for purposes of current administration, to the date at which they should henceforward be transferred to the Public Record Office.
(d) For these and other reasons the change from a 50-year period to a 30-year period could not be abrupt but would have to extend over a reasonable interval.

The Cabinet—

(1) Approved C (65) 114.
(2) Took note that the Prime Minister would initiate the necessary confidential consultations with the Opposition Leaders.

2. The Cabinet considered a Note by the Chancellor of the Exchequer (C (65) 118), to which was annexed a memorandum, agreed between the Minister of Overseas Development and the Chief Secretary, Treasury, on the allocation for overseas aid within the programme of public sector expenditure.

The Chancellor of the Exchequer said that the group of Ministers who had originally considered the public expenditure programme had examined the proposals in this memorandum and had recommended that the cash limit for expenditure on aid in 1966-67 should be £225 million; that this amount, which was £9 million above the basic programme for that year, should cover all unforeseen contingencies; and that it should be retained up to and including 1969-70, on the understanding that the implications of maintaining this limit in 1967-68 and beyond should be reviewed in the following year as part of the annual review of expenditure.

The Minister of Overseas Development said that she reluctantly accepted this proposal. It involved a very stringent limitation on expenditure and allowed little margin for new emergencies. Moreover, the fact that the limit, as distinct from the limits imposed on other Departmental programmes, was expressed in terms of cash rather than constant prices implied that a declining percentage of the gross national product would be spent on aid over the five-year period. Some elements in the aid programme, such as loans to overseas Governments, were rightly calculated on a cash basis; but others were liable to be eroded by inflation and the implications of this fact would have to be considered in the next annual review. The resultant position was only defensible in the context of the extreme difficulties of our prospective balance of payments; and this should be reflected in the references to the aid programme in the National Plan.

In discussion there was general agreement with the proposals in C (65) 118. The fact that they involved an addition of some £9 million to the total public expenditure hitherto envisaged for 1966-67 reflected the difficulty of establishing realistic limits, in the first year of a five-year forecast, for a programme which was so largely determined by continuing commitments.
The Prime Minister, summing up the discussion, said that the Cabinet had now completed the review of public sector expenditure. This had imposed a heavy burden on the Ministers who had constituted the group responsible for the initial examination of Departmental programmes; but the outcome had been a valuable contribution to development of the Government’s economic policies.

The Cabinet—
Approved C (65) 118.

3. The Cabinet considered a memorandum by the First Secretary of State (C (65) 120) recording the views of the Ministerial Committee on Economic Development (EDC) on the proposals of the National Coal Board (NCB) for increases in the price of coal, as described in the memorandum by the Minister of Power (C (65) 110).

The Minister of State, Department of Economic Affairs said that the First Secretary of State, with the support of a majority of the EDC, had formed the view that an increase in coal prices at the present time could have a damaging effect on the Government’s policies as regards prices and incomes and that this consideration outweighed the case in favour of an increase in terms of the interests of the coal industry itself. In order to avoid adding to the burden on the Exchequer, however, any deficit incurred by the NCB in 1965–66 should be regarded as part of the £400 million of their liabilities which the Cabinet had already decided to write off. This could be effected by reducing the element of £150 million which it was intended to write off even though the assets in question were still earning some profits. If, however, coal prices had to be increased notwithstanding the objections of social and economic policy, the EDC had recommended that selective increases, varying in relation to individual coalfields, should be adopted. But this would involve a considerable increase in prices in the regions which the Government were seeking to assist in many other ways; and this factor was an additional reason against raising prices at the present time.

The Chancellor of the Exchequer said that, together with other members of the EDC, he considered that it would be wrong to allow the NCB once again to begin to incur a deficit on revenue account. The Board had originally proposed to increase prices in April but had been asked to defer action in the interests of the prices and incomes policy at that time. There was no reason to suppose, however, that the difficulties of implementing policy would have been any greater if coal prices had been raised last April. If they were not increased in the autumn the Board would incur a progressively increasing deficit which could be financed only by either still heavier price increases or by an Exchequer subsidy.

The Minister of Power said that it was essential that the NCB should achieve a balance on revenue account, at least in the year 1966–67. But they were likely, on the basis of present prices, to incur...
a loss of £25 million in 1965–66 and an even larger sum in 1966–67. If coal prices were not increased this autumn, they would therefore have to be raised still more sharply in April 1966. Moreover, if the Board were not allowed to raise prices to meet the deficit, the principle of requiring the nationalised industries to manage their affairs on a sound financial basis would be brought into disrepute. As regards the selective nature of the proposed increases, it was essential that the economic mines should not be expected to finance the uneconomic mines and so handicap themselves in competition with other fuels. Equal increases in all areas would be contrary to the policy of promoting the closure of the high-cost pits, in order to enable the low-cost pits to compete effectively for a reasonable share of the fuel market.

In discussion differing views were expressed about the desirability of taking a decision now to increase coal prices on 1st September. On the one hand it was suggested that there would be advantages in delaying a decision until September. Even though this would mean that the earliest date on which any price increase could take effect would be 1st December, it would enable any announcement to be deferred until after the meeting of the Trades Union Congress (TUC) in September, and would therefore reduce the risk of prejudicing the Government’s hopes of securing the support of the TUC for their policy on prices and incomes. The delay would also enable the Cabinet to consider whether an increase in coal prices would be consistent with other policies which might have to be adopted for dealing with developments in the economic situation.

On the other hand, it was argued that an increase in coal prices was already overdue and that to seek to compel the nationalised industries to hold down prices at the cost of incurring deficits would lead to their progressive demoralisation. If it were subsequently found that more stringent measures were needed to restrain prices and incomes, it would be possible to suspend the increase in coal prices.

In further discussion the following main points were made:

(a) The increase in prices in the areas of uneconomic production might be regarded by the miners in those areas as a deliberate attempt to accelerate the closure programme; and this might prejudice their readiness to co-operate in implementing that programme.

(b) The psychological effect of increases in coal prices would be out of proportion to the impact on the cost of living. In particular the increase in house coal prices would bear hardly on old-age pensioners.

(c) There were serious disadvantages in increasing coal prices in September or, still more, in December when the normal seasonal winter price increases would in any case come into force.

(d) The Chairman of the NCB had already indicated publicly that some price increases would probably have to be made. At least six weeks’ notice of any increases would have to be given in order that the necessary procedures could be completed.
Local Government Finance

(Previous Reference: CC (65) 43rd Conclusions, Minute 3)

(e) The proposed increase in prices in Wales and Northern England might have a serious effect on industrial development in these regions, inasmuch as it would diminish the attractions of these areas for industry.

The Prime Minister, summing up the discussion, said that it was generally agreed that the NCB ought to be enabled to achieve a balance on revenue account by 1966-67. It was more arguable, however, whether it was desirable to take a decision now to raise coal prices on 1st September or whether to defer a decision until September, when the problem could be considered in the light of further developments in the prices and incomes policy and in the economic situation. On balance the latter course appeared to have marginal advantages; but a final decision should not be postponed beyond September.

The Cabinet—

(1) Invited the Minister of Power to inform the National Coal Board that the Government would consider it inappropriate that any action should be taken at the present time in relation to a possible increase in coal prices.

(2) Agreed to resume their discussion early in September with a view to deciding whether coal prices should be increased on 1st December.

4. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C (65) 121) on local government finance.

The Chancellor of the Exchequer said that the Committee on Local Government had recently considered measures for improving the financial position of local authorities. They had authorised the Minister of Housing and Local Government to proceed with the preparation of a major Bill which would greatly modify the present system of Exchequer grants but could not be brought into operation before April 1967. The Committee had also considered the possibility of providing a measure of relief to ratepayers with low incomes in advance of any general measure of rating reform. This would require a short Bill, to be introduced early in the following Session and to take effect in April 1966. The cost would be of the order of £30–35 million, of which, it had been suggested, a large proportion, e.g., 75 per cent, might be met by the Exchequer. The Committee had authorised the Minister of Housing and Local Government to prepare this Bill, which could also provide for the payment of rates by instalments. But the decision on this measure could be deferred until rather nearer the beginning of the next Session and no commitment should be made meanwhile. If, in the event, it were decided to postpone the Bill, the necessary provisions could be included in the major Bill, for later introduction.
The Minister of Housing and Local Government said that the proportion of expenditure which could be borne by the local authorities on providing relief to ratepayers in the manner proposed would be 25 per cent at the maximum and even this might give rise to considerable political difficulty. It would be necessary to give further consideration to this aspect of the question in the light of the views of the local authorities.

The Cabinet—

(1) Took note of C (65) 121.

(2) Authorised the Minister of Housing and Local Government to prepare a short Bill to provide a measure of relief to ratepayers with low incomes in advance of a general measure of rating reform.

Cabinet Office, S.W.I,
5th August, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Wednesday, 1st September, 1965, at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. JAMES CALLAGHAN, M P, Chancellor of the Exchequer
The Right Hon. Sir FRANK SOKICE, Q C, M P, Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M P, Secretary of State for Commonwealth Relations
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M P, Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. FRED PEART, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. ANTHONY CROSLAND, M P, Secretary of State for Education and Science
The Right Hon. ANTHONY CROSLAND, M P, Secretary of State for Foreign Affairs
The Right Hon. DOUGLAS HOUGHTON, M P, Minister of Housing and Local Government
The Right Hon. RICHARD CROSSMAN, M P, Minister of Labor
The Right Hon. FRED PEART, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. BARBARA CASTLE, M P, Minister of Overseas Development

The following were also present:
The Right Hon. EDWARD SHORT, M P, Parliamentary Secretary, Treasury
Mr. CHARLES LOUGHLIN, M P, Parliamentary Secretary, Ministry of Health

Secretariat:
Sir BURKE TREND
Mr. J. H. LOCKE
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1. The Prime Minister said that the Cabinet had been invited to reassemble rather earlier than had been contemplated at their last meeting in order to take stock of developments in the economic situation. During August sterling had begun to recover strength; and this process had been reinforced by the publication of the statistics of exports during July, which had been exceptionally favourable. As a result it was now reasonable to hope that the deficit on the balance of payments in 1965 might be rather less than the £300 million which had been contemplated hitherto and that in 1966 we should achieve a balance on external account at a rather earlier date than we had so far expected. At the same time the measures which the Government had taken earlier in the year were now beginning to exert a visible effect; and it should be possible in the not too distant future to initiate some degree of reflation of the economy. On the other hand unemployment was still lower than a year ago; the pressure of demand within the economy remained high; and there was a continuing risk that speculative pressure against sterling might be renewed. In these circumstances it was essential that the improvement in our balance of payments should not be endangered by any excessive rise in our costs of production; and it was no less important politically to anticipate any undue rise in the cost of living. It would now be appropriate, therefore, to intensify the Government's policy in relation to prices and incomes by giving it a degree of statutory foundation; and for this purpose it was proposed that as soon as possible after Parliament resumed legislation should be introduced giving the Government power:

(i) to require notification of any intention to increase prices or charges and to require notification of claims relating to pay, hours of work or other major improvements in terms of employment, together with the prospective terms of settlement of wage claims;

(ii) to refer to the National Board for Prices and Incomes (NBPI), in the national interest:
   (a) any price, whether existing or proposed; and
   (b) any claim or settlement;

(iii) to require the proposed price or pay increases to be deferred until after the Board had reported;

(iv) to give the Board power to collect all necessary information and to call witnesses to give evidence.

These proposals were not only desirable on merits but would also serve to reinforce the revival of international confidence in sterling, which could now expect to command the support of other Central Banks against speculative attack if the Governments concerned were convinced that we were resolved to take adequate steps to maintain the basic improvement in our economy.

The Chancellor of the Exchequer endorsed the Prime Minister's statement. Despite the recent recovery of sterling, there was no scope for any relaxation of our efforts to rectify the imbalance on
our external account, since our reserves were insufficient to withstand any renewed speculative attack on sterling and we could no longer afford to borrow abroad for this purpose. The level of unemployment, although gradually rising, was still very low; and the continuing pressure of demand within the economy made it desirable to take the further steps now proposed in order to keep our costs of production under reasonable control.

The First Secretary of State said that the policy of voluntary restraint of prices and incomes, on which the Government had embarked earlier in the year, was probably proving more effective than was commonly supposed. On the other hand it was not possible to quantify its results or to demonstrate the extent to which, if it were not in operation, prices and incomes might rise. It was therefore desirable for the further development of the policy that the Government, while retaining the voluntary principle as its essential foundation, should now take statutory powers to enforce an interval for consideration before any proposal to increase prices or incomes could become effective; and this was the purpose of the new measures now proposed. The principle of advance notification should not only provide the Government with valuable information but should also reinforce the authority of both the employers and the trade unions in resisting unreasonable claims; and it was clearly preferable to any attempt to impose a complete ban on all increases in prices and wages, which would be wholly unrealistic on both political and administrative grounds. It would not be easy to enforce the new policy; but such sanctions as it might incorporate must appear to relate to incomes no less than to prices; and the policy must be seen to apply not merely to the public, but also to the private, sector. It was essential to launch the policy forthwith, since the annual conference of the Trades Union Congress (TUC) was due to be held in the next few days and it would be unwise to allow the TUC to discuss prices and incomes policy on the basis of incomplete knowledge of the Government’s intentions. It was uncertain how far they would endorse the new policy; but there were grounds for hoping that they could be persuaded to acquiesce in it, although both they and the employers were more likely to offer their co-operation if the proposed measures could be shown to be not merely desirable in the interests of the Government’s plan for the development of the economy in the longer term but also required by the exigencies of our immediate financial situation.

In discussion there was general agreement in principle with these proposals. The following main points were made:

(a) It could not be assumed that speculative pressure on sterling would not recur at some point in the future. The measures now proposed should reduce this risk by stabilising the costs of production and so increasing the competitive power of our exports. If the balance of payments nevertheless deteriorated again, it would probably be necessary to take direct remedial action, e.g., by way of restraint on imports; but there should be no question of any further action to compress internal demand in order to rectify any external imbalance.
(b) In this connection it would be important that such reflationary measures as the Government might adopt in the coming months should not recreate the external imbalance which we were now beginning to rectify. All possible measures should therefore be taken to improve our exports; and from this point of view it was arguable whether the present proposals to stabilise prices and incomes would suffice or whether they might need to be intensified at a later stage. On the other hand the measures which the Government had taken in recent months to control transactions on capital account should do much to prevent a further deterioration in the balance of payments; and, provided that these measures were maintained in force, that we succeeded in keeping production costs under control and that we adopted a critical attitude towards defence expenditure, it should be possible to embark on a process of controlled reflation in due course without undue danger.

(c) The scope of the measures now proposed in relation to prices might need further consideration, since it would be impossible to refer every price increase, however insignificant, to the NBPI. It might therefore be necessary to draft the new legislation in terms which would give the Ministers concerned power to decide, by Order in Council, which price increases should be referred for consideration by the Board.

(d) The prices charged by nationalised industries, e.g., in the case of coal, would have to be referred for consideration by the NBPI no less than the prices charged by firms in the private sector. But it would not always be easy to reconcile this principle with the requirement imposed on the nationalised industries to attain specific targets in terms of the return on capital employed.

(e) Public opinion might well expect dividends to be subjected to at least the same degree of control as was now envisaged for wages and incomes generally. To some extent the proposed restraint on prices should prevent excessive increases in dividends; and this process should be reinforced in the longer term by the combined effect of the capital gains tax and the corporation tax. If excessive increases in dividends nevertheless persisted, further fiscal action might become appropriate; and this could, if necessary, be made clear.

(f) If it became necessary to adopt some sanction, against price increases which the NBPI judged to be excessive, a system of price control might be instituted, either as part of the legislation envisaged to put the NBPI on a statutory basis or by means of a separate Bill. On the other hand this would tend to attract attention to the question of a corresponding sanction in relation to wage increases; and there could be no question of seeking to impose a statutory control on wages, since it would be unacceptable in principle and unenforceable in practice.

(g) Further consideration would have to be given to the position, in relation to the new policy, of arbitration tribunals and comparable bodies which at present enjoyed a relatively independent status in
deciding the remuneration of individual staffs and professional organisations. It would not necessarily be practicable to allow them to retain indefinitely their present degree of independence; but it should prove possible to arrange some accommodation between their functions and those now envisaged for the NBPI.

The Prime Minister, summing up the discussion, said that there was general agreement on the action now proposed to make the Government's policy in relation to prices and incomes more effective. It was essential, however, that it should be presented not as a further measure of restriction required in order to reinforce international confidence in sterling in the short term but as a positive development of the Government's policies for the planned and controlled increase of incomes within an economy which would be able to expand without fear of adverse repercussions on sterling if other Governments were convinced of our ability to keep our costs and prices under control and to increase the competitive power of our exports. It would be desirable, from this point of view, that the proposed measures should be reinforced, as rapidly as possible, by steps to emphasise the importance of an increase in productivity and to identify all sections of the working population with the Government's policies for this purpose.

The Cabinet—

(1) Approved the measures proposed to place the Government's policy in relation to prices and incomes on a statutory basis.

(2) Invited the First Secretary of State, the Chancellor of the Exchequer and the Minister of Labour, in consultation with the other Ministers concerned, to arrange for the Government's intentions in this connection to be communicated, at the appropriate point, to arbitration tribunals and similar bodies; and to consider how the functions of these bodies might best be related to those now envisaged for the National Board for Prices and Incomes.

2. The Cabinet considered a memorandum by the President of the Board of Trade (C(65) 122) on the detailed arrangements for restraining imports of cotton textiles after the end of 1965.

The President of the Board of Trade said that preliminary discussions had been held with the Governments of India, Pakistan and Hong Kong about possible quota arrangements for cotton textiles after 1965 on the lines approved by the Cabinet at their meeting on 13th May, 1965. In the light of these discussions he now suggested that India and Hong Kong should retain their present country quotas; that there should be a global quota for other countries; and that Pakistan should be offered the option of retaining her existing country quota or participating in the global quota. India
and Hong Kong were satisfied with this proposal; but Pakistan had rejected both alternatives. It was essential to begin formal negotiations with all our supplying countries forthwith; and for this purpose the proposals which had already been put to the Governments of India, Pakistan and Hong Kong should be tabled as the basis for the initial discussions. It might emerge that modifications of these proposals would be necessary in order to secure general agreement; and it might at that time be possible to move towards an arrangement more acceptable to Pakistan. But to amend our original proposals at the outset in order to conciliate Pakistan would be regarded as a serious breach of faith by India and Hong Kong. Moreover, there was no justification on merits for offering Pakistan more favourable treatment, particularly since the country quota for Pakistan would be 6 per cent of their production whereas the Indian quota would be only 4 per cent.

The Commonwealth Secretary said that, if we ignored the views of the Government of Pakistan by putting forward as a basis for formal negotiations proposals which we knew that they would not accept, there was a risk that their reactions would be seriously detrimental to United Kingdom, and indeed to Western, interests. It was unlikely in any case to be possible to negotiate a quota scheme which gave India and Hong Kong 100 per cent of their present country quota. It would therefore be a mistake to start on this basis; and it would be preferable that our proposals should incorporate some concession to Pakistan from the beginning of the negotiations.

The Colonial Secretary said that the suggested quota for Hong Kong had already been published in the Colony; and any curtailment of it, as proposed by the Commonwealth Secretary, would be regarded as a serious breach of faith.

In discussion the following points were made:

(a) There would be some advantage in delaying the circulation of formal proposals until our attempts to relieve the present tension between the United States Government and Pakistan on the question of aid had made further progress.

(b) All possible combinations of country and global quotas had been considered; and further informal discussions with India, Pakistan and Hong Kong could not be expected to result in any solution agreeable to all three countries.

(c) The interests of Pakistan in increasing their exports to this country should not be satisfied by raising the total of import quotas at the expense of textile manufacturers in the United Kingdom.

The Prime Minister, summing up the discussion, said that the majority of the Cabinet endorsed the proposals in C (65) 122. The manner in which these proposals should be put forward should be discussed by the President of the Board of Trade and the Commonwealth Secretary in order to reduce as far as possible the unfavourable reaction which might be expected from the Government of Pakistan.
The Cabinet—

Approved the proposals in C (65) 122, about import quotas for cotton textiles, subject to further consideration by the Commonwealth Secretary and the President of the Board of Trade of the manner in which they should be tabled in negotiation.

3. The Minister of Labour said that the frequency of industrial disputes in the motor industry gave serious cause for concern. Already in 1965 there had been 112 stoppages, of which only five had been official strikes. It was privately acknowledged by the leaders of the unions concerned that they no longer had adequate control over the actions of their members in the industry. It was desirable for the Government to consider whether any action could be taken to improve the situation in this important section of the economy. One possibility would be a general inquiry into the structure of the industry, in relation to both the trade unions and the employers. Such an inquiry, however, would need to comprise a very wide range of firms and would be a lengthy and complicated process. Alternatively it might be possible to establish fact-finding teams which could be sent by the Minister of Labour to investigate unofficial stoppages as soon as they occurred. But this concept had been opposed in the past by both trade unions and employers on the grounds that it would confer a quasi-official status on irresponsible action. Legislation to deal with the situation represented a third possible course of action; but it would require very careful consideration in view of the obvious difficulties which would be involved.

The Prime Minister and he had therefore arranged to see representatives of the employers and the trade unions involved on 3rd September in order to review the situation and to ascertain whether the industry had any other suggestions for remedial action. Even if the industry could not offer any proposals, it might still be desirable for action to be taken by the Government.

The Prime Minister said that he would review the position with the Minister of Labour in the light of the forthcoming discussion with the industry and would subsequently arrange for the Cabinet to discuss any proposals for action by the Government which might be thought desirable.

The Cabinet—

Agreed to resume their discussion at a later meeting.

Cabinet Office, S.W.1,
2nd September, 1965.
CC (65) 47th Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at Chequers on Sunday, 12th September, 1965, at 10 a.m. and 2.30 p.m.

PRESENT:
The Right Hon. Harold Wilson, M.P., Prime Minister

The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs (Item 1)
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. Kenneth Robinson, M.P., Minister of Health
The Right Hon. Charles Pannell, M.P., Minister of Public Building and Works
The Right Hon. Anthony Wedgewood Benn, M.P., Postmaster-General
The Right Hon. George Wigg, M.P., Paymaster General

The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer (Item 1)
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Tom Fraser, M.P., Minister of Transport

Secretariat:
Sir Burke Trend
Mr. J. H. Locke
Mr. F. A. K. Harrison

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1. The Cabinet discussed the programme of Government business for the forthcoming Parliamentary Session.

2. The Commonwealth Secretary informed the Cabinet that relations with the Government of Rhodesia appeared to be deteriorating afresh. At the time of the visit to Salisbury which, together with the Lord Chancellor, he had made earlier in the year it had appeared that the Prime Minister of Rhodesia, Mr. Ian Smith, was not unwilling to contemplate a constitutional settlement on reasonably liberal terms. Subsequently, however, Mr. Smith seemed to have fallen under the control of the more extreme elements of his party; and, as a result of the recent General Election in Rhodesia in which the Government had gained an overwhelming victory, those elements must now be presumed to be in a position to dictate to Mr. Smith the policy which he should pursue.

In these circumstances he had recently suggested that he should pay a fresh visit to Central Africa, which would provide him with an opportunity to ascertain whether there was still any prospect of reaching agreement with the Rhodesian Government on the basis of the principles of progressive constitutional advance which had been the subject of our recent negotiations with them. Mr. Smith had now indicated, however, that, while he did not reject the possibility of such a visit, he did not feel that it offered any prospect of advantage so long as we adhered to the principles in question. In an interview with the United Kingdom High Commissioner in Salisbury, in which he had amplified this message, Mr. Smith had made it sufficiently clear that he and his colleagues were no longer prepared to entertain these principles and that the only basis of future dealing between the two Governments which they could contemplate would be our acquiescence in Rhodesia's assuming her independence, if necessary outside the Commonwealth.

The Prime Minister said that these developments confronted the Cabinet with a very serious situation. It now appeared probable that the Government of Rhodesia would make a unilateral declaration of independence in the near future; and this would require us to indicate forthwith, by measures which might involve the recall of Parliament, our attitude to an act of rebellion against the Crown. The Government had made clear, in the statement which they had issued in October 1964, the policy which they would adopt in this event; and the fact that this statement had been endorsed by all the other members of the Commonwealth and by many foreign countries suggested that if the Government of Rhodesia committed themselves to a unilateral declaration of independence, they would be unlikely to enlist international support except from the Governments of South Africa and Portugal. It was uncertain how far these two Governments would be willing to provide material assistance to the Government of Rhodesia; but the Government of Portugal, with whom we were already at odds about the terms on which a diplomatic representative
of the Government of Rhodesia should be accredited to Lisbon, were in a position, by virtue of their control over communications through Mozambique, to inflict very considerable damage on the Zambian economy if the Government of Zambia sought to oppose a unilateral declaration of independence by Rhodesia. In that event exports of Zambian copper might be endangered; and in these circumstances our own industrial production might be significantly threatened by a shortage of copper. It was therefore essential that we should continue to exert every effort, consistently with the principles to which we were committed, to prevent the Government of Rhodesia from making a unilateral declaration of independence and that, if they finally committed themselves to such a declaration, they should not be able to plead any action of ours in justification. He would arrange, in consultation with the Ministers immediately concerned, to give urgent consideration to the reply which should now be sent to Mr. Smith and to ensure that the contingency planning already in hand should be pressed vigorously ahead in order that, if we were confronted with an emergency, we should be ready to do all that lay in our power both to protect the United Kingdom economy and to play our part in exerting whatever pressure against Rhodesia might be mobilised by international opinion, short of military intervention.

In discussion there was general agreement with these proposals; the Cabinet were unanimous on the need to be ready to resist any unilateral and unconstitutional action by the Government of Rhodesia.

The Cabinet—

Took note that the Prime Minister would arrange for further consideration to be given to the means by which we might seek to check the deterioration in relations with the Government of Rhodesia, while preparing for a possible unilateral declaration of independence by that Government.

3. The Commonwealth Secretary said that the hostilities between India and Pakistan which had recently broken out in Kashmir represented a new and grave stage in the continuing dispute about this territory. It appeared that early in August the Government of Pakistan had arranged for irregular forces to cross the cease-fire line in Kashmir; and this had proved to be the first step in a process of action and retaliation by the two Governments which had culminated in a direct Indian invasion of Pakistan across the international frontier. There was little doubt that the Indian Government were hoping by these means to convince the Government of Pakistan that the cease-fire line in Kashmir must be accepted as a permanent line of demarcation and that the problem of Kashmir must be regarded as finally settled. The Government of Pakistan were equally determined to use the dispute as a means of reviving their claim that the whole question of Kashmir’s future must
be reopened and could be settled only by a plebiscite. We had done our best to moderate the conflict both by sending appropriate messages to the two Governments and by encouraging other Commonwealth Governments to counsel restraint during the period in which the Secretary-General of the United Nations, who was now visiting both Pakistan and India, was seeking to find means of bringing the immediate hostilities to an end. The Secretary-General would probably report his findings to the Security Council in the following week. But there appeared little prospect at present that he would be able to promote a cease-fire; and in these circumstances the United Nations might propose the introduction of some form of sanctions against both India and Pakistan. Meanwhile, we ourselves were ceasing to supply arms and military stores to the combatants; and the United States Government were taking similar action. Arrangements had been made to ensure the safety of United Kingdom nationals. At some stage it might be appropriate for the Commonwealth to take an initiative in promoting mediation; but it would be premature to commit ourselves on this point until we knew the results of the mission of the Secretary-General of the United Nations.

In discussion there was general agreement with these suggestions. It might become relevant that the 1962 Agreement governing the supply of arms to India entitled us to satisfy ourselves that they were used only for the defence of India against Chinese aggression and to require their return when they were no longer needed for this purpose. Decisions would also be needed in due course on the extent to which we should maintain unchanged the various measures by which we provided non-military assistance to the Governments of India and Pakistan in terms of, e.g., financial aid, technical assistance and commercial arrangements, including the facilities provided by the Export Credits Guarantee Department. But, although we could not defer decisions on such issues for very long and arrangements should be made for their early consideration, it would be preferable that we should avoid the appearance of unilateral action in relation to any measures which might be interpreted as sanctions against the combatants and should act, in this regard, in concert with other countries and in conformity with the policy of the United Nations.

The Cabinet—

Took note that the Prime Minister would arrange for further consideration to be given to the issues which were arising as a result of the hostilities between India and Pakistan in Kashmir.

Cabinet Office, S.W.1.  
13th September, 1965.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 16th September, 1965, at 3 p.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, O.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Tom Fraser, M.P., Minister of Transport
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. Kenneth Robinson, M.P., Minister of Health (Item 1)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury
Mr. Maurice Foley, M.P., Joint Parliamentary Under-Secretary of State, Department of Economic Affairs

Secretariat:
Sir Burke Trend
Mr. D. S. Laskey
Mr. J. H. Locke

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1. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C (65) 125), setting out the conclusions reached by the Ministerial Committee on Local Government on proposed changes in the system of Exchequer grants to local authorities. They also considered memoranda by the Home Secretary (C (65) 126) and by the Minister of Health (C (65) 127), proposing that within the new system of grants there should be specific grants for certain services for which they were responsible.

The Chancellor of the Exchequer said that the proposals in C (65) 125 represented the largest measure of agreement which it had been possible to achieve in the Ministerial Committee on Local Government Finance, of which he had been Chairman. They would give effect to the Labour Party's undertaking during the last Election to revise the system of local government finance and, in particular, to restore a specific grant for the education services. The Committee had considered at length the possibility of establishing new sources of local revenue in order to supplement the rates. It had become clear, however, that no other significant source of local revenue could be found which would not in effect hypothecate actual or potential sources of Central Government taxation. Rates must therefore remain the major source of local revenue. The Committee were still considering ways in which the rating system might be improved; and they would submit proposals for this purpose at a later date. It was already clear, however, that, whatever improvements might be made in the methods of raising rates, it would be necessary to change the present system of Government grants towards local expenditure in order to increase the proportion of local expenditure which was met by the Exchequer. The need for an adjustment of this kind was the more urgent since, although rates currently constituted a smaller proportion of both total taxation and personal incomes than before the war, they were now at a level which caused considerable resentment.

The Committee therefore proposed that a system of Exchequer grants should be introduced, representing 50 per cent of the cost of approved capital projects in all the main services. Except in the case of highways schemes this would be an innovation. It would give the Treasury greater control over local authority borrowings for capital expenditure; but it should also be not without attraction for local authorities, since it would reduce their difficulties in financing capital expenditure and would reduce the loan charges which they would have to meet.

As regards the current expenditure of local authorities the Committee proposed that the Exchequer grants should be fixed in such a way that, over the country as a whole, rates need not increase, year by year, by more than the increase in national income. The figure for the total Exchequer grant, which would embody the novel concept of a "moving Exchequer guarantee", would be fixed in advance after consultations with local authorities, although not necessarily with their agreement. The scheme would not prevent
individually local authorities from increasing their expenditure at a faster rate than the average, provided that they were prepared to finance any additional outlay from the local rates. Nevertheless, it would inevitably involve a rather greater degree of control by the Government over local authority commitments. The total Exchequer grant would have to be distributed fairly between different local authorities, bearing in mind their differing responsibilities and needs. For some services specific grants would be required, which should initially be at the rate of 50 per cent; but the remainder of the Exchequer contribution should be distributed as a general Rates Support Grant on the basis of a formula designed to give some benefit to every local authority but most where the need was greatest. It was therefore important that as much as possible of the Exchequer contribution should remain available for the Rates Support Grant (which would replace the present General Grant, Rate Deficiency Grant and Scottish Equalisation Grant) and that specific grants should be kept to the minimum. The strongest case for a specific grant was presented by the education services, which constituted nearly half the total expenditure of local authorities. Since this burden was distributed very unevenly among them, the specific education grant should be apportioned by reference to a formula reflecting their differential needs. But the case for comparable specific grants for the police, fire, child care and health and welfare services was less convincing; and the Committee had not felt able unanimously to endorse proposals to this effect.

If the Cabinet accepted the Committee’s proposals, it would be necessary to carry further the preliminary consultations which had already been held with local authorities and to introduce legislation in the following Session, with a view to its being brought into effect as from April 1967. Central Government expenditure would be increased; but, although this would necessarily imply some increase in the burden on the taxpayer, it would not involve any breach of the limit of 4½ per cent average annual increase in public expenditure over the next few years which had been agreed by the Cabinet, since this limit related to Central and local Government expenditure taken together. The new scheme would provide a more reasonable basis for financial relations between Central and local Government for a further period, perhaps for a decade. But it could not be regarded as a permanent solution; and further changes in the relationship would probably become inevitable.

The Minister of Housing and Local Government said that most local authorities now appreciated the freedom which they enjoyed under a system of general grant and would not be likely to welcome the introduction of any large number of specific grants. It was essential, therefore, to reserve as much as possible of the total Exchequer contribution for the proposed Rates Support Grant, since this would be one of the main instruments of relief for the poorer authorities.

The Home Secretary said that he was particularly concerned to retain a specific grant for police expenditure. He had only limited powers to enforce standards of police administration throughout
the country, apart from the threat, implicit or explicit, to withhold the grant; and the efficiency of the police services would inevitably be reduced if a specific grant were withdrawn. Public opinion would be liable to be particularly critical of such a change in view of the present increase in crime and delinquency. It would also be desirable to introduce a specific grant for child care services, at least for the initial period while the Government's new proposals for these services were being introduced. The matter could be re-examined when the new services had been satisfactorily established. As regards the fire services, the possibility of a specific grant might be left open until a special inquiry into these services which he proposed to institute had been completed.

The Minister of Health said that, while he supported in principle the proposals in C (65) 125, it would be very desirable that they should incorporate a specific grant for health and welfare services. In the absence of such a grant it would be assumed by local authorities that these services were now regarded by the Government as less important than the education services; and the momentum of development in health and welfare which had recently been generated would be reduced. As a result the demands on health services operated by the Government would increase. The burden of health and welfare services on local authorities varied as widely as in the case of education; and the amount remaining available for the Rates Support Grant need not be diminished by the introduction of a specific grant for these services if the level of specific grants were reduced from 50 per cent to 45 per cent or 40 per cent.

In discussion there was general support for the proposals in C (65) 125. But the size of the Rates Support Grant and the formula for its apportionment between different local authorities would be critical issues; and the co-operation of the authorities could not be assumed if this grant were seriously reduced by the introduction of additional specific grants.

In further discussion the following main points were made:

(a) A 50 per cent grant towards the cost of education services would appear lower than the 60 per cent grant which had been paid prior to its abolition by the previous Administration. To increase the grant above 50 per cent, however, would make too heavy an inroad on the general Rates Support Grant. Moreover, a level of 50 per cent could be defended on the grounds that the specific grant would not represent by any means the whole of the Government's support to education by means of the new proposals.

(b) It was arguable how far the threat to withhold grant was an essential factor in maintaining the efficiency of the police services. If an additional sanction were required it might be preferable to invest the Home Secretary with further powers in relation to the police functions of local authorities. On the other hand the police services were in a unique category in so far as they
represented a function of Government to which public opinion was particularly sensitive.

(c) The proposals involved a reduction in the rate of capital grants for certain types of highways schemes. This would undoubtedly lead to objections from some local authorities. The absence of specific grants towards current road expenditure, however, could be defended provided that the number of specific grants was kept to the minimum. But, if they were introduced on an unnecessarily lavish scale in relation to other services, there would be pressure for the establishment of a specific grant for roads as well.

(d) The proposal that there should be a specific grant for the civil defence services might need to be reconsidered if the outcome of the current review of policy in this field suggested that it would be preferable to leave local authorities to decide for themselves how much expenditure to incur on this account than to provide them with an incentive to maintain a given level of effort.

The Prime Minister, summing up the discussion, said that there was general agreement with the proposals in C (65) 125. As regards specific grants, it appeared right to concede such a grant in relation to the police services in view of the special considerations involved. But the case for other specific grants was not established, subject to further consideration in the case of the civil defence services. Consultations with the local authorities should continue, with a view to the introduction of the necessary legislation in the next Session. The Bill should include, if possible, any proposals for the reform of the rating system which might subsequently be agreed.

The Cabinet—

(1) Approved the proposals in C (65) 125 for changes in Government grants to local authorities, subject to the introduction of a specific grant for police services.

(2) Agreed to defer consideration of the desirability of introducing a specific grant for the civil defence services until the current review of civil defence policy had been completed.

(3) Invited the Minister of Housing and Local Government, in consultation with the Chancellor of the Exchequer, the Secretary of State for Scotland and the other Ministers concerned, to arrange for the preparation of legislation to give effect to the new scheme, for introduction in the forthcoming Session of Parliament.

(4) Took note that the Ministerial Committee on Local Government Finance would give further consideration to the possibility of effective improvements in the system of rating, with a view to the incorporation of any proposals for this purpose in the legislation envisaged under Conclusion (3) above.
2. The Foreign Secretary said that at his meeting with the Secretary-General of the United Nations, U Thant, that morning the latter had said that his proposals for a cease fire had not been acceptable to the Indian Government, who clearly wished to retain certain areas in Pakistan which they had now succeeded in occupying. The proposals had been equally unacceptable to the Government of Pakistan without an assurance that the United Nations would deal effectively with the whole problem of the political future of Kashmir. Nevertheless, U Thant was not wholly discouraged; and he had it in mind, at the meeting of the Security Council to be held on 17th September, to propose the establishment of a committee of the Security Council, consisting of the United States, the United Kingdom, France and the Soviet Union, whose good offices would be at the disposal of the disputants. Thereafter he would seek to promote a meeting between the Heads of Government of India and Pakistan on neutral ground, which would also be attended by representatives of the committee. U Thant thought that this proposal might be accepted by the Governments of India and Pakistan in view of an agreed statement by the then Prime Minister of India, Mr. Nehru, and President Ayub of Pakistan in November 1962 at the time of the Chinese attack on India, that they would be prepared to discuss Kashmir. If it proved impossible to establish a committee of the Security Council with the membership proposed, an alternative might be a committee consisting of the Afro-Asian members of the Council; all three, however, were the representatives of Moslem countries and might therefore not be acceptable to India. U Thant had questioned the wisdom of any suggestion that the Security Council should propose an embargo on arms supplies to the two countries on the grounds that, since Indonesia and the People's Republic of China (who favoured Pakistan) were not members of the United Nations, any embargo of this kind might not appear impartial. He had it in mind, however, that the Security Council Resolution, in addition to proposing the establishment of the "committee of good offices", should call for a cease-fire by a certain date. He had not dismissed the possibility of a Commonwealth initiative in relation to Kashmir; but he had doubted whether it would be opportune until the United Nations had had an opportunity to ascertain whether the procedure which he had in mind would prove fruitful.

The Indian reaction to the proposed committee might be considerably influenced by the willingness of the Soviet Government to participate in its work. There could be no certainty on this point, since the attitude of the Soviet authorities remained uncommunicative, although they had undertaken to consider our suggestion that they should co-operate with us in seeking to resolve the dispute. We ourselves should be expected to indicate our attitude to the committee as soon as the proposal became public. On balance we should probably give it immediate support.

The Commonwealth Secretary said that the wording of any Security Council Resolution would need careful consideration in

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view of the susceptibilities of India and Pakistan. But, without prejudice to the desirability of a Commonwealth initiative at a later stage, we should certainly support the current efforts of the United Nations and should therefore endorse U Thant's proposal.

In discussion there was general agreement with these views.

The Cabinet—

Took note of the situation in Kashmir.

*Cabinet Office, S.W.1,*

*17th September, 1965.*
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 23rd September, 1965, at 10.30 a.m.

Present:
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. TOM FRASER, M.P., Minister of Transport
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir FRANK SOSKICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. FRANK COWINS, M.P., Minister of Technology
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development (Items 2 and 3)

Also present:
The Right Hon. Sir ELWYN JONES, Q.C., M.P., Attorney-General (Item 2)

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. D. S. LASKEY
Mr. J. H. LOCKE
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1. The Commonwealth Secretary informed the Cabinet that the Governments of India and Pakistan had agreed to conform with the resolution of the Security Council of the United Nations calling for a cease-fire in the operations in Kashmir; and hostilities had accordingly ceased at 11 p.m. (GMT) on the previous day. The credit for securing this result rightly accrued to the United Nations; but the advice which we, together with other members of the Commonwealth, had given to the two Governments had undoubtedly played a significant part in influencing their final decisions. The Government of Pakistan had been particularly reluctant to accede to the pressure of the Security Council; and both in Pakistan and in India there was considerable resentment about the attitude which the United Kingdom had adopted towards the conflict. This was perhaps the most effective evidence of our impartiality; and we need not be unduly dismayed that the Soviet Government had now taken the initiative in offering to mediate between India and Pakistan. It was unlikely that they would succeed; and we should reserve our own influence to reinforce the effort by the United Nations which would now be required to promote a political settlement of the dispute.

2. The Cabinet considered a memorandum by the President of the Board of Trade (C (65) 124) about the detailed provisions for implementing the Government’s decision to require companies to disclose to shareholders any contributions which they made to political organisations.

The President of the Board of Trade said that an Order under the Companies Act had originally appeared to be the most appropriate instrument for this purpose. The Ministerial Committee on Economic Development had subsequently decided, however, that it would be preferable to take the necessary powers in a Bill dealing generally
with the information required to be given in company accounts in accordance with certain of the recommendations of the Jenkins Committee. A suitable definition of political contributions had been drafted, which would comprise not only contributions to political parties but also contributions to any organisations which engaged in activities likely to affect public support for a political party. The Board of Trade's Accountancy Advisory Committee, however, had said that it would be unreasonable to require auditors to verify information of this kind in company accounts, both because this would involve the detailed examination of a large number of small payments and also because auditors could not be expected to decide whether an organisation did, or did not, fall within the definition in the Bill. They had suggested, therefore, that the information should be provided in the Directors' Report to shareholders.

In discussion there was general agreement with this proposal. Although the legislation would not be retrospective it would apply to all company reports issued after the Bill became law and would therefore ensure the disclosure of contributions made in the previous year. Moreover, presentation of the information in Directors' Reports might invite more attention to the contributions than their inclusion in the accounts. Although the disclosure of contributions would not be checked by the auditors, there was little reason to suppose that Directors would deliberately flout the terms of the legislation in view of the penalties to which they would make themselves subject under the Companies Act.

In further discussion it was suggested that, although there was no reason to suppose that the inclusion of a provision of this kind in the general Bill dealing with company accounts would cause any serious deterioration in the relations between the Government and industry, it would continue to be important to take all opportunities to strengthen those relations and it might therefore be desirable to give further consideration to the means by which the Government might encourage the new organisation which had been established in the City in order to enable financial institutions to concert their views for presentation to the Government.

The Cabinet—

Approved C (65) 124.

3. The Foreign Secretary said that our foreign policy had three main objectives: to maintain the strength and cohesion of the Atlantic Alliance; to promote a relaxation of tension between the Western Alliance and the Eastern bloc and to make progress on disarmament; and to strengthen the United Nations.

North Atlantic Treaty Organisation (NATO)

The Atlantic Alliance was faced with four main problems:

(1) France. President de Gaulle had said that the Alliance should continue but that major changes in its organisation were
required and that by 1969 there should be no troops under foreign command on the soil of France. His objective was probably an Alliance dependent only on mutual guarantees, without any joint planning or organisation. We had no wish to quarrel with France; but we took the view, which the United States now shared, that the last resort NATO could exist without France. In the European Economic Community the Five had always given way hitherto to French intransigence; but they were now standing firm against the latest French demands. It was in our interest that they should continue to do so; although French views on the undesirability of supranational organisations might seem close to our own, a Community which was wholly subservient to France would inevitably become progressively more inward-looking and less satisfactory as a partner in our politico-military policies in Europe. The present deadlock within the Community limited the scope of any initiative to promote a wider Europe; but we should continue to pursue any possibilities of functional co-operation, preferably on a multilateral basis. We should also try to define more closely the concept of closer European integration and the conditions which would make its realisation possible.

(2) Germany. The position of Germany in NATO would become stronger as the French position in the Alliance declined. The attitude of the Federal German Government was also important in relation to developments in East/West relations and disarmament, since our NATO allies would be reluctant to commit themselves on these issues against German opposition. The outcome of the recent German elections was not wholly satisfactory; but now that the elections were over the new Government might at least feel able to adopt a more positive and constructive attitude towards such questions as relations with the Eastern bloc and Germany's eastern frontiers. If we were to induce the Federal German Government to make progress on these issues, we must do all within our power to foster Anglo/German understanding.

(3) The United States. The power of the United States Government and their ability to intervene decisively were essential to the preservation of order and democracy in many parts of the world. But United States policy was not always well judged; and our best means of influencing it in critical situations was to preserve close relations with the United States Government, while retaining our freedom to express criticism or disagreement when we thought it necessary to do so. Recent events in the Dominican Republic had illustrated how a United States intervention which, by itself, might have alienated world opinion had been transformed, by the influence of the United Nations which we had done much to promote, into action which had yielded a more acceptable and not unsatisfactory solution.

(4) Eastern Europe and Disarmament. Progress towards such objectives as a reduction of forces and the establishment of nuclear-free zones in Europe would inevitably take time, since we had to
overcome the initial opposition of some of our NATO allies. Real progress must also depend on the attitude of the Soviet Union; and the Soviet Government might find it difficult to co-operate in this respect so long as problems such as Vietnam remained unsolved. Nevertheless, we had succeeded in promoting constructive action on such issues as the dispute about Article 19 of the United Nations Charter, which should ease relations with the Soviet Union; and the Soviet attitude towards the hostilities in Kashmir, culminating in their offer to mediate between India and Pakistan, opened up possibilities of closer collaboration, since the Soviet Government would probably find it necessary to co-operate with ourselves and the United States in this context and undoubtedly shared our joint concern to avoid a conflict in the Indian sub-continent from which only China would profit. We must accept the fact that Russian influence in India might increase; but this was not necessarily contrary to our long-term interests, since the Soviet Union was bound to play an increasingly important role in Asia.

Our proposals for the creation of an Atlantic Nuclear Force (ANF) had been designed to provide some degree of satisfaction for German aspirations to become a nuclear power, without giving the Federal German Government effective control over nuclear weapons. They would also provide an appropriate method of internationalising our own nuclear weapons. It now seemed likely, however, that Soviet objections to the ANF would be maintained and that, if the force were established, the Soviet Government would make it their excuse for refusing to participate in a non-dissemination treaty. Moreover, it was now uncertain whether it would be practicable in any event to bring the ANF into being; and the Federal German Government might therefore have to be satisfied with machinery for closer consultation on nuclear matters instead of a collective nuclear force. This could still leave open the way to a non-dissemination treaty; but it would confront us afresh with the problem of bringing our own nuclear capability within some system of collective control. Meanwhile, we must continue to seek to promote disarmament by such means as the extension of the Test Ban Treaty, the convening of a world conference and an increase in the authority of the United Nations in maintaining international order, which would in itself be the most significant and practical contribution to progressive disarmament.

Middle East

We had inherited a position which we could not afford to maintain indefinitely. We must therefore contemplate a gradual and orderly withdrawal from the Middle East; and we had already made some progress in this direction, e.g., by promoting co-operation between the Rulers in the Persian Gulf in order that they might be better able to rely on their own resources. But the Government of Iran remained apprehensive about any extension of the influence of the United Arab Republic (UAR) in this area; and they would require to be convinced that a settlement in the Persian Gulf would not result in its becoming a base for UAR subversion of Iran. The Minister of State for Foreign Affairs, Mr. Thomson, was about to
pay a series of visits to certain countries in the Middle East in order to explain our policy to the Governments concerned. His itinerary would include Cairo; but there seemed little chance at present of inducing the Government of the UAR to be less hostile to our interests, particularly in Southern Arabia.

South-East Asia and the Far East

The Government of South Vietnam appeared to be succeeding, with United States assistance, in redressing the military balance in the conflict in Vietnam; but there was still no indication that the Governments of North Vietnam and the Chinese People's Republic were willing to negotiate a political settlement. As regards the dispute between Malaysia and Indonesia we continued to maintain close contacts with the Governments of Australia, New Zealand and the United States; but there seemed no present prospect of a satisfactory solution. In the longer term we must look to a Western withdrawal from the Far East; but it would be important to ensure, so far as possible, that the vacuum would be filled by regimes which, although not necessarily pro-Western, would not be wholly under Chinese domination.

Over the whole field of foreign policy we no longer enjoyed the power and influence which we had possessed earlier in the century. But, although we could not now act decisively in world affairs on the basis of our own unaided resources, our influence would remain very considerable so long as we acted in concert with our allies.

In discussion the following main points were made:

(a) In the light of our limited defence resources, it might become increasingly difficult for us to take effective international action even in conjunction with our allies. In terms of both demographic and technological power the balance of advantage would tend to incline in favour of other countries, which would not necessarily be deterred by poverty or a scarcity of economic resources from developing or acquiring sophisticated weapons systems. It would therefore be increasingly necessary to establish effective priorities in our politico-military policies. On the other hand we could not allow other countries to suppose that they could resort to aggression as a simple means of solving the problems caused by over-population and under-development; and we must remain ready to oppose policies of this kind at some point provided that we continued to mitigate as far as possible, by the provision of aid and related measures, the economic conditions which created them.

(b) If the Soviet Union were willing to become actively engaged in promoting a settlement of the dispute between India and Pakistan, we might hope for Soviet collaboration in other spheres, in relation to e.g., the progressive containment of China and the control of the supply of arms by the Great Powers to smaller countries. Both the Sino-Soviet dispute and developments within the Soviet Union itself might create an increasing community of interest between the Soviet Union and the West, even though we might have to reassess our
commitment to the Central Treaty Organisation (CENTO) and the South-East Asia Treaty Organisation (SEATO) if we were to secure Soviet co-operation.

(c) There was some evidence that at least the Social Democratic Party in Germany were prepared to contemplate a more positive attitude in relation to the Soviet Union and East Germany, although neither they nor the other parties could yet afford to express such views in public. In these circumstances we should need to give further consideration to our policy in relation to the question of German reunification. It could be argued that, if we sought to promote improved relations with the Soviet Government, we should accept that reunification could not realistically imply more than the co-existence of West and East Germany and we should not lend any encouragement to the West German aspiration to interpret reunification as, in effect, the absorption of East Germany. On the other hand the mere co-existence of two German States offered little prospect of solving the problem of Berlin; and the reunification of Germany, if effected by acceptable means such as free elections, could be argued to be essential if we were to hope for lasting peace in Europe.

(d) It would be dangerous to assume that the present deadlock in the European Economic Community (EEC) provided an appropriate moment for a renewed attempt by the United Kingdom to accede to the Community. At the same time our position in relation to Europe might need to be reassessed. It could be argued that in terms of economic and technological potential the United Kingdom was no longer able to compete independently with other countries and that the diminishing commercial value of our Commonwealth connections should not be regarded as sufficient compensation for our exclusion from the market represented by the EEC. On the other hand, the European Free Trade Area offered us a market with a population of over 100 million; and the EEC itself could not be represented as an obstacle to our exports in the light of the fact that, since its creation, our trade with the member countries of the Community had more than doubled, although we were not members of it.

The Prime Minister, summing up the discussion, said that progress towards a solution of the problems in Europe had been slow, partly because we had to seek to carry our allies with us and partly because the prospect of the German elections had inhibited any realistic discussion of the issues involved since early in the year. Now that the German elections were over we could look for an early resumption of international debate about East/West relations and the possibilities of a reduction of tension in Europe. In other respects the Government could point to a solid record of achievement in foreign affairs. We had greatly strengthened our relations with the United States; and, although we had sometimes had occasion to express frankly to the United States Government our difference of view, they had not sought to attach political conditions to the assistance which they had given us in other respects.
We had clearly demonstrated our support for the United Nations; and our reputation in the Organisation had never stood higher. In Vietnam it was largely due to our influence that the United States Administration had eventually agreed to negotiations. Our effort had also been instrumental in securing the agreement between the Governments of India and Pakistan on the Rann of Kutch. We had been fully justified in putting forward our proposals for the ANF; and, although the force might not come into being, it did not represent the only means of placing our nuclear capability under international control, particularly since the question of collective defence arrangements East of Suez had still to be examined.

In the light of the discussion about Germany and Anglo-German relations, it would be desirable that the Cabinet should give further consideration to the complex issues involved as soon as the policy of the new Federal German Government became apparent.

It was generally accepted that this was not an opportune moment at which to seek to reopen negotiations for United Kingdom membership of the EEC. Nor should we intervene in the current dispute within the Community. We might in due course reassess our attitude to the Community and re-examine, in the light of developments in recent years, the conditions which the Labour Party had hitherto attached to the United Kingdom accession. But we should recognise from the outset that the principles of a planned economy, to which the Government were committed, would not easily be reconciled with the economic doctrines from which the EEC derived; and our approach to the question of membership of the Community should therefore be directed not merely to the question whether it would be to our advantage to join it but also to the question whether we could succeed in insisting on whatever terms and conditions we felt that we must stipulate.

The Cabinet—

Took note, with approval, of the Foreign Secretary's statement and of the points made in discussion.

Cabinet Office, S.W.1,
24th September, 1965.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 7th October, 1965, at 10 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister

The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs

The Right Hon. Lord Gardiner, Lord Chancellor

The Right Hon. Denis Healey, M.P., Secretary of State for Defence

The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations

The Right Hon. James Griffiths, M.P., Secretary of State for Wales

The Right Hon. The Earl of Longford, Lord Privy Seal

The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster

The Right Hon. Frank Cousins, M.P., Minister of Technology

The Right Hon. Frederick Lee, M.P., Minister of Power

The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. John Diamond, M.P., Chief Secretary, Treasury

The Right Hon. Sir Elwyn Jones, Q.C., M.P., Attorney-General (Item 4)

The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Mr. Walter Padley, M.P., Minister of State for Foreign Affairs

Secretariat:

Sir Burke Trend
Mr. P. Rogers
Mr. D. S. Laskey
Mr. R. T. Armstrong
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1. The Prime Minister recalled that in June a small committee of senior Ministers under the chairmanship of the Chancellor of the Exchequer had been appointed to review public expenditure programmes to 1969-70 and make recommendations to the Cabinet. This group had completed its immediate task, but there would be further tasks for such a group arising out of the review, and there might later be questions for consideration on the estimates for 1966-67. With the agreement of the Chancellor of the Exchequer he was therefore putting in hand arrangements to constitute a standing Cabinet Committee with the same composition as the original group and with terms of reference:

"To consider and keep under review programmes of public expenditure; and to make recommendations thereon to the Cabinet."

The rights of individual Ministers would be safeguarded since issues were left for decision by the Cabinet.

In discussion the Prime Minister undertook to consider a suggestion that one of the overseas Ministers (probably the Foreign Secretary) should be invited to serve on the Committee, but he reminded the Cabinet that it had been deliberately decided that the group should consist of Ministers whose Departments were not substantial spenders; it might be inconsistent with this principle to appoint one of the overseas Ministers to the Committee.

The Cabinet—

Took note of the Prime Minister's statement.

2. The Cabinet considered a memorandum by the Minister of Power (C (65) 129) on the need for, and timing of, increases in the prices of coal.

The Minister of Power said that the financial position of the National Coal Board (NCB) had continued to deteriorate, with the result that, even after allowing for the proposed capital reconstruction, which would relieve the Board of some £30 million of interest charges, their deficit in 1966-67 would not be less than £25 million if prices were not increased before 1st April, 1966. The NCB had formally sought his consent last July to increases in the prices of coal, to take effect at the beginning of this winter. It had then been agreed to defer increases in the interests of the Government's prices and incomes policy. The NCB would not wish to raise house coal prices during the winter. Their current proposal was therefore that house coal prices should rise from 1st April, 1966, and that industrial coal prices should rise from a date not later than 1st January, 1966, by an amount which would reduce the deficit for 1966-67 by £5 million. It had been proposed that no announcement about coal prices should be made at the present time and that the situation should be reviewed in a few months time. He would,
however, have to introduce a Bill in the House of Commons very early in the new session for the capital reconstruction that had been agreed; this Bill would have to include proposals for dealing with the deficit in 1966-67, and the Government would be exposed to considerable criticism if, having disclosed the NCB's current financial position and put forward proposals for a capital reconstruction, they could give no indication that steps would be taken to correct the industry's position in the future.

It had also been suggested that proposals for coal price increases should be referred not only to the Consumers' Councils (in accordance with the statutory requirement) but also to the National Board for Prices and Incomes (NBPI). It was, however, arguable that it would be embarrassing for the Government if that Board having investigated the NCB's financial position and the reasons why price increases had been delayed, made adverse comments on these matters in their report. Moreover, he was anxious lest a reference to the NBPI might delay the implementation of price increases. His inclination would therefore be to accept the NCB's proposals for price increases, subject to the statutory procedure of consultation, and announce them in the forthcoming White Paper on the Finances of the Coal Industry, without referring them to the NBPI.

The First Secretary of State said that there would be grave disadvantages in announcing precise proposals for increases in coal prices nearly six months before they were due to come into effect. It had been made clear that the Government regarded the public sector as required to participate in the "early warning" system for advance notification of proposals for price increases and wage claims, and it would be difficult for the Government not to refer to the NBPI price increases in so important a commodity as coal. In his view the right course would be for the White Paper on the Finances of the Coal Industry to be drafted so as to explain the proposals for capital reorganisation and for dealing with the current year's deficit, and to say that further proposals would be made for ensuring the future viability of the industry, which might well include increases in prices early in the following financial year; without giving precise figures it could be made clear that such proposals would be referred to the NBPI and that the proposed legislation would be drafted on the assumption that the proposals would be approved by the Board.

In discussion there was general agreement that, when the Minister of Power presented legislation for the capital reorganisation of the NCB, he would be bound to disclose the Board's current financial position. The Bill would have to be introduced early in the new session of Parliament, and the proposed White Paper would need to be published before then. As soon as the current financial position was disclosed the probability of price increases would be manifest.

The following further points were made in discussion:

(a) It was important that increases in the price of coal should not be deferred beyond 1st April, 1966, in view of the implications that a continuing deficit would have for the 1966 Budget.
It was suggested that the reference to the NBPI should be in general terms, seeking a recommendation on what the price of coal should be rather than endorsement for specific figures to be put forward by the NCB. It was, however, agreed that it would be preferable for the NBPI to base their review on specific proposals by the NCB.

A decision by the Government to refer specific proposals to the NBPI might be taken as laying on that Board responsibility for decisions about the method of dealing with the coal industry's deficit (whether by increasing prices or through the Exchequer) which were proper to the Government. On the other hand, now that the Government had decided to introduce legislation to give statutory backing to the NBPI, it was important to demonstrate that prices and incomes policy was intended to apply no less in the public sector than in the private sector. It was unlikely that public opinion would be satisfied that this was being done if so important a matter as an increase in the price of coal were to be decided by the Government without reference to the Board.

It would be preferable to refer the increases to Consumers' Councils before referring them to the Board, even though this would clearly increase the likelihood that Consumers' Councils would register objections to the increases proposed. If increases were to come into effect from 1st April, 1966, they would need to be referred to the NBPI not later than 1st February, 1966 (this would be consistent with the procedure which the First Secretary of State would shortly be proposing to his colleagues for handling references to the Board). It would therefore be necessary to refer the increases to Consumers' Councils in time for the Councils to have made their views known by the end of January.

The increase in the price of industrial coal should be subject to the same procedure as the increase in the price of house coal, even though this would mean deferring the increase in the price of industrial coal till 1st April and carrying the full amount of the current year's deficit on the Exchequer.

The Prime Minister, summing up the discussion, said that there was general agreement that in the White Paper which set out the proposals for capital reorganisation the Minister of Power would be bound to disclose the NCB's current financial position and thus the probability of price increases. There was no reason why the White Paper should not disclose that proposals for price increases had been put forward earlier in the year and that the Government had asked the NCB to defer the increases in the interests of prices and incomes policy. The White Paper could go on to make it clear that the NCB would be making proposals for increases in the price of coal in the coming financial year and that, in accordance with the machinery for handling important proposals for increasing prices or incomes, the NCB's proposals would be referred to the NBPI after the statutory procedure for consulting Consumers' Councils had been completed. This procedure should govern increases in the prices both
of house coal and of industrial coal. It had to be recognised that the NBPI might criticise the deferment of price increases; but the Government had a good defence, which could advantageously be deployed in advance by the sort of reference which he had suggested should be included in the White Paper. It also had to be recognised that the reference to the NBPI would give the Board the opportunity of commenting on the requirement laid upon the NCB (as upon other nationalised industries) to earn a prescribed rate of return on their capital.

The Cabinet—
Invited the Minister of Power to proceed on the lines set out in the Prime Minister's summing up of the discussion.

3. The **Minister of State for Foreign Affairs** (Mr. Padley) said that during the recent attempted **coup** President Sukarno had been temporarily effaced, but he was now again playing the leading role. He had on the previous day presided over a meeting of the Indonesian Cabinet which had included two Communist members and he would no doubt seek a reconciliation between the army and the Communists which would preserve his own predominance. It did not appear that his illness had incapacitated him to the extent that had previously been expected. It was possible that the army, whose leading officers would no doubt be embittered by the murder of six Generals during the fighting, might now take action against the Communists. It was, however, too early to predict the outcome.

4. The **Commonwealth Secretary** said that he had started discussions at the beginning of that week with the Prime Minister of Rhodesia, Mr. Smith, and a number of his Ministers, about the progress of Rhodesia to independence. Mr. Smith maintained that Rhodesia had a right to independence on the basis of the 1961 Constitution and that this right had been conceded at the time by the United Kingdom Government. The facts did not support his contention nor had the 1961 constitution ever been intended as one which would continue after independence. Mr. Smith had accepted that the discussions should be on the basis of the five principles proposed by Her Majesty's Government as a basis for independence. They were that there should be unimpeded progress towards majority rule; guarantees against retrogressive amendment of the Constitution; an immediate improvement in the political status of Africans; progress towards ending racial discrimination; and the need to satisfy the United Kingdom Government that any basis proposed for independence was acceptable to the people of Rhodesia as a whole. In practice, Mr. Smith had during the discussions rejected these conditions, save for the last, which, he maintained, superseded the previous four. It was proposed that further discussions under the chairmanship of the Prime Minister should begin that afternoon.
The Prime Minister said that it now appeared likely that the discussions would end in deadlock. We could not withdraw from the five principles and it was probable in consequence that Mr. Smith's Government might make a unilateral declaration of independence (u.d.i.). Our planning for the action which would be necessary in that event was nearly complete. We should, however, bring the strongest possible pressure to dissuade Mr. Smith and his party from such a course and this would be supported by pressure from a considerable number of the most influential Commonwealth and foreign Governments. The Government of South Africa was also thought to be advising the Rhodesian Government to avoid precipitate action. Meanwhile, it was clear from reports which we had had from the United Kingdom Representative at the United Nations and also from the Foreign Secretary, who was now in New York, that, if there were a u.d.i., there would be an emotional outburst at the United Nations coupled with an immediate demand for military action. The Defence and Oversea Policy Committee had in discussion earlier that day taken the view that there could be no question of military intervention by United Kingdom forces in the event of a u.d.i. and that we should seek to avoid military action being taken by a United Nations force. In any event we should be unwilling to make a United Kingdom contribution to such a force. The question of a naval blockade of Portuguese African ports in the event of Portugal assisting Southern Rhodesia might, however, be further considered.

In discussion there was general agreement that there should be no military intervention by United Kingdom forces in the event of a u.d.i. It was also the general view that we should seek to avoid contributing a contingent of United Kingdom combat troops in the event of military intervention by United Nations forces. It was recognised that the practice by which, save in the special circumstances of Cyprus, troops were not supplied for United Nations intervention by the permanent members of the Security Council might help to avoid pressure upon us to do so. It would, however, be difficult to withdraw our standing offer to provide logistic support for up to six battalions of a United Nations peace keeping force and a decision on the extent of our participation could only be taken in the light of events. Furthermore, it might be desirable for United Kingdom forces to be provided to maintain the peace in the event of a general breakdown of law and order in Rhodesia. The point was also made that we must have regard to the possible danger to United Kingdom citizens at present living in other countries of Africa in the event of African feeling being aroused against the United Kingdom on the grounds that we had taken inadequate action to deal with a u.d.i.

In further discussion it was agreed that in the event of a u.d.i. the United Kingdom should ban future purchases of Rhodesian tobacco by firms or persons in the United Kingdom. There was also agreement that it would be necessary to dismiss Mr. Smith's Government and that the balance of advantage would lie in the
United Kingdom Government formally assuming all the powers and liabilities of Government even although, at any rate at the outset, such action would be purely symbolic. It would be necessary to recall Parliament to pass an Enabling Bill which would provide the Government with adequate powers to deal with the situation, but it would not necessarily be politic to suspend the 1961 Constitution. It would, however, be important to declare the existing Government illegal and to bring all possible influence to bear on all loyal Rhodesians to remain loyal to The Queen.

The Cabinet—

(1) Took note of the statements by the Prime Minister and the Commonwealth Secretary.

(2) Agreed that in the event of a u.d.i. there should be no military intervention by United Kingdom armed forces and that we should seek to avoid United Kingdom participation, especially by combat troops, in any United Nations force.

(3) Agreed that in the event of a u.d.i. there should be a ban on future United Kingdom purchases of Southern Rhodesian tobacco.

(4) Agreed that in the event of a u.d.i. Mr. Smith and his Ministers should be dismissed and that the United Kingdom Government should formally assume the full powers of Government in Southern Rhodesia.

Cabinet Office, S.W.1.
7th October, 1965.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 14th October, 1965,
at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. MARGARET HERBISON, M.P., Minister of Pensions and National Insurance (Item 2)
Mr. WALTER PADLEY, M.P., Minister of State for Foreign Affairs

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. J. H. LOCKE
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Rhodesia

(Please note
Reference:
CC (65) 50th
Conclusions,
Minute 4)

1. The Cabinet had before them a Note by the Prime Minister (C (65) 131), to which was attached a record of the discussions which he had recently held with the Prime Minister of Rhodesia, Mr. Ian Smith.

The Prime Minister said that Mr. Smith had now returned to Rhodesia after discussions which had been completely frank on both sides and had fully revealed the extent of the differences of principle which still separated the two Governments. United Kingdom Ministers had made no concessions to Mr. Smith; but they had indicated to him several alternative courses of action which would enable the Rhodesian Government to escape from the present deadlock if they were prepared to compromise on their rigid stand. Moreover, as a result of approaches by our Embassies and High Commissions overseas many other Governments had sent messages to Mr. Smith, warning him of the dangers of a unilateral declaration of independence (u.d.i.). In particular, the United States Government, both in messages to Mr. Smith and in a statement by their Representative at the United Nations, had given a stern warning of the likely consequences of such action.

In the United Kingdom itself Mr. Smith's appearances on television had initially had a favourable impact on public opinion and had momentarily succeeded in creating the impression that the United Kingdom Government were insisting on immediate majority rule in Rhodesia. But this was not so; and there now appeared to be a more informed appreciation of the real issues at stake, together with wide general support for the Government's policy. Our proposal that a Commonwealth Mission, consisting of a number of Commonwealth Prime Ministers under the chairmanship of the Prime Minister of Australia, Sir Robert Menzies, should visit Rhodesia in a mediatory capacity had placed Mr. Smith in a new dilemma in as much as, if he refused to receive it, he would forfeit any remaining sympathy in the United Kingdom and in other countries. Even the Governments of South Africa and Portugal now appeared to be counselling caution. The longer a u.d.i. was postponed, the greater the chance that in fact it would never be made.

The Commonwealth Secretary said that, while the situation was still evenly balanced, it appeared that the outcome of the recent discussions, together with the pressure brought to bear on Mr. Smith by world opinion, had at least postponed a u.d.i. and to that extent could be regarded as a success. As regards the projected Commonwealth Mission, Sir Robert Menzies was prepared to accept the chairmanship if this were acceptable to Mr. Smith and to African opinion. But there could be no question of a Mission consisting only of representatives of the older Commonwealth countries. African representation was essential; nor would anything else be acceptable to Sir Robert Menzies himself. President Kaunda of Zambia had declined to serve on the understandable ground that his country was too intimately concerned with the problem. The Prime Minister of Uganda, Dr. Obote, had accepted membership, while the Prime

SECRET

CC 51 (65)
Ministers of Nigeria and Ceylon were still considering our invitation. Other influences were also being brought to bear on Rhodesian opinion. In particular, a mission of leading industrial and financial interests in the United Kingdom was leaving that day for Rhodesia and would seek to persuade the European population of the dangers of a u.d.i. in relation to business confidence and the prospects of future investment in Rhodesia.

Discussion showed full agreement with the policy which had been pursued. The following main points were made:

(a) There was as yet no indication of any effective political opposition to Mr. Smith's Party by other leading political figures in Rhodesia. But a postponement of a u.d.i and a growing realisation of its consequences might lead in due course to a change in this situation.

(b) There had been no further drawing down of Rhodesian sterling balances after certain recent transactions; and there was as yet no indication of any renewed calls upon them.

(c) The Prime Minister's broadcast earlier in the week had had a very favourable effect on international opinion, particularly as regards African sentiment.

The Prime Minister, summing up the discussion, said that the situation was still extremely delicate. The United Kingdom and Rhodesian Governments had failed to agree; but the latter had not yet committed themselves to any illegal action and relations had not, therefore, been finally broken off. In these circumstances it was imperative that we should refrain from any public action or statement which could be regarded as provocative. Ministers should therefore abstain as far as possible from any public reference to the Rhodesian problem in the immediate future: and, in so far as they found it necessary to mention it, they should agree the text of their remarks with the Commonwealth Secretary.

The Cabinet—

Took note, with approval, of the statements about Rhodesia by the Prime Minister and the Commonwealth Secretary.

2. The Cabinet considered a memorandum (C (65) 132) by the Secretary of State for Scotland and the Minister of Housing and Local Government, proposing that a short Bill should be introduced early in the 1965-66 Session to provide a measure of relief to ratepayers with low incomes and also to provide for the payment of rates by instalments.

The Minister of Housing and Local Government said that the present system of local rating was very regressive and bore with particular severity on families with incomes just above the National Assistance level. The Allen Report had shown that ratepayers with an income of between £6 and £10 a week had to pay over 6 per cent
of their disposable income in rates, whereas those with an income of over £20 a week paid only 2.7 per cent in rates. Although individuals in receipt of National Assistance had their rates paid, in effect, by the National Assistance Board, no less than 500,000 ratepayers who were eligible for National Assistance were not claiming it. There was therefore an urgent need to provide some measure of relief to those poorer households, particularly since the average increase of 10 per cent in local rate demands in the current year was likely to be followed by a similar increase in 1966. It would be desirable in due course to reconstitute the whole rating system on a less regressive basis; but this could not be achieved in the near future, since much of the information needed for this purpose was not yet available. The present scheme had therefore been devised as an interim, short-term measure, to be in operation by April 1966.

It provided for a householder to apply to his rating authority for relief if his rate liability exceeded £5 a year and his income did not exceed £8 a week in the case of a single individual or £10 a week in the case of a married couple, with an extra 30/- a week for each dependant child. There would be provision for marginal relief for those just outside these limits. The Exchequer would reimburse local authorities to the extent of 75 per cent of the cost of the rebates; but, since the scheme would be operated by local authorities, it was essential that the balance of the cost should be borne by them in order to give them an incentive to operate it conscientiously. The burden falling on other ratepayers as a result of the rebates would, however, be relatively small. The cost to the Exchequer if all those eligible applied was estimated in C (65) 132 at £35 million; but more refined calculations suggested that it would lie between £25 and £30 million. Since the ratepayers who would benefit were responsible for only 7 per cent of the total rates, it should therefore be possible to ensure a very substantial alleviation of hardship, for up to 2½ million households, at a relatively small cost to the Exchequer. The scheme would be preferable to an increase in the general Exchequer grant to local authorities, since this would benefit all ratepayers regardless of need. Moreover, as to about one half of it would accrue to industry and commerce, not to the householder.

The scheme was admittedly a rough and ready measure; and it would inevitably create certain anomalies. It would therefore be important to emphasise, in presenting it to public opinion, that it was no more than an interim attempt to moderate the impact of rates regarded as a form of tax and should not be interpreted as a social benefit similar to National Assistance or alternative to the proposed income guarantee. For this reason there was no question of incorporating in the scheme a family means test or an arrangement for disregards of income. Those who were already receiving assistance from the National Assistance Board in respect of their rates would continue to do so. But it would be inadvisable that the scheme should be operated by the National Assistance Board; and a ratepayer should be able to apply to the rating authority for relief as of right. The anomalies and imperfections of the scheme could be defended.
if it were presented as a short-term measure, which would subsequently need to be incorporated, perhaps in a different form, in a fundamentally reconstituted rating system.

The proposed Bill would also provide that local authorities must make provision for domestic ratepayers to pay by monthly instalments. This would be a desirable reform.

The Secretary of State for Scotland said that it was essential to provide a measure of relief from rates to the poorer families. Local authorities in Scotland might be reluctant to operate a local means test in addition to the national one. Nevertheless, the social arguments in favour of the measure were very great.

The Chancellor of the Exchequer said that, although the proposal might represent the most effective means which could be devised for giving relief to poorer ratepayers, it would be preferable that it should be included in the main Bill on Local Government Finance which would come into effect in April 1967 rather than be enacted hastily as a special measure. The main Bill would be introduced into Parliament by February 1966, and would fully redeem the pledges made by the Labour Party at the General Election to reform the rating system and to transfer part of the burden of expenditure from rates to taxes. Moreover, it had been necessary to defer many other desirable types of expenditure in the light of the present economic situation; and further demands for Government expenditure were now coming forward which had not been included in the estimates so far approved by the Cabinet. These included assistance to colliery closures, a large increase in the deficit of British Railways and additional expenditure on the European Launcher Development Organisation. In addition both the Minister of Housing and Local Government and the Minister of Public Building and Works had proposed that additional claims should be made on national resources through an expansion of building programmes. It would be the more difficult to seek to accommodate these and other items if the Government committed themselves to an additional expenditure of £25 to £30 million on rate rebates in 1966-67, which would have to be met by an increase either in taxation or in Government borrowing.

In discussion the balance of opinion favoured the introduction of the proposed rebate scheme as soon as possible on the grounds that, despite the administrative difficulties and anomalies which it would involve, it would represent a desirable measure of social justice.

In further discussion the following main points were made:

(a) Tenants of local authority houses who at present paid a combined sum for rent and rates would obtain the appropriate degree of rate relief grant by an abatement of rent.

(b) The income limit for the purposes of rate rebate would be higher than in the case of National Assistance and National Insurance; and pressure might develop to increase these rates in step.

(c) Local authorities should not make it a condition of the rate rebate that an applicant first applied for National Assistance, even though he might be eligible for it. The scheme should be available to assist those who were not prepared to apply for National Assistance.
(d) Difficulties might arise in connection with the administration of the scheme. Individual incomes often fluctuated and would sometimes be higher and sometimes lower than the qualifying limit. It might therefore be necessary to assess income on other than an annual basis. Difficulties might also arise in relation to the treatment of unearned income. For these reasons the scheme would be liable to be expensive and difficult to administer. On the other hand many local authorities already had experience of problems of this nature in connection with rent rebate schemes; and they had confirmed that a rate rebate scheme of the kind proposed should be workable.

(e) The scheme provided for assistance in all cases where the rate liability exceeded £5 a year. This figure seemed low; and it would be desirable to consider whether a somewhat higher figure would be appropriate.

(f) If the scheme was to remain in operation for several years, it would be desirable to incorporate in the Bill provision for amending the qualifying income limits in the light of changes in circumstances.

(g) On balance it would be undesirable to provide for a statutory appeal against the decisions of local authorities on the rebate scheme. On the other hand there would undoubtedly be cases where applicants would feel that they had not been fairly treated; and local authorities should be encouraged to make definite provision for the hearing of dissatisfied applicants.

(h) Even if provision were made for the payment of rates by monthly instalments, individuals with very small incomes would still be liable to be hard pressed. An arrangement whereby they could purchase stamps which could then be used to meet the rate demands would be very valuable. It might be uneconomic to introduce special stamps for this purpose; but consideration might be given to the use of, e.g., National Savings stamps for the payment of rates.

(i) It would not be possible to include in the proposed Bill provision for the rating of empty property, since this issue involved problems which would need further examination. But the question would be dealt with in the main Bill on Local Government Finance which would be introduced later in the Session.

The Prime Minister, summing up the discussion, said that the Cabinet were in favour of proceeding with the scheme as an interim measure in order to alleviate the worst effects of a system of local taxation which was socially unjust and was becoming increasingly regressive. The necessary legislation should precede the main measure on Local Government Finance in order that the rate rebate scheme might be in operation by April 1966. The scheme should be presented, however, as an interim measure, designed to meet an immediate need while a basic reform of the whole rating system was being prepared; and its introduction should not be allowed to retard work on this permanent and long term reform. The Bill should not include provision for appeals against decisions of the rating authorities in relation to rebates; but local authorities should be encouraged to establish appropriate machinery for hearing complaints. The
arrangements proposed for the payment of rates by instalments should also be adopted. Further consideration should be given, however, to the various points which had been raised in discussion in connection with the administration of these proposals (including the £5 level of minimum rate liability) and to the possibility of enabling ratepayers to discharge their liabilities by the tender of appropriate stamps.

The Cabinet—

Approved the proposals in C (65) 132, subject to further consideration of the points indicated in the Prime Minister’s summing up of their discussion.

Cabinet Office, S.W.1.
14th October, 1965.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 21st October, 1965, at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister

The Right Hon. GEORGE BROWN, M P, First Secretary of State and Secretary of State for Economic Affairs (items 2 and 3)
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M P, Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M P, Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M P, President of the Board of Trade
The Right Hon. ANTHONY CROSLAND, M P, Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M P, Chancellor of the Duchy of Lancaster
The Right Hon. FRED PEART, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M P, Minister of Transport

The following were also present:
Mr. GEORGE THOMSON, M P, Minister of State for Foreign Affairs
The Right Hon. GORDON STOTT, Q C, Lord Advocate (item 2)

The Right Hon. HERBERT BOWDEN, M P, Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M P, Chancellor of the Exchequer
The Right Hon. SIR FRANK SOEKIE, Q C, M P, Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M P, Secretary of State for the Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M P, Minister of Housing and Local Government
The Right Hon. FRANK COUSINS, M P, Minister of Technology
The Right Hon. FREDERICK LEE, M P, Minister of Power
The Right Hon. BARBARA CASTLE, M P, Minister of Overseas Development

The Right Hon. SIR ELWYN JONES, Q C, M P, Attorney-General
The Right Hon. EDWARD SHORT, M P, Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Miss J. J. NUNN
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Secretariat:

Sir BURKE TREND
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1. The Prime Minister informed the Cabinet that the latest message which he had received on the previous day from the Prime Minister of Rhodesia, Mr. Ian Smith, while seeking to controvert the points which the Prime Minister had made in his own message of 18th October, had advanced the new proposal that the United Kingdom Government should now concede independence to Rhodesia on the basis that the Rhodesian Government would observe the principles of the 1961 Constitution and that their undertaking to do so should be guaranteed by a solemn treaty. This message could be interpreted as implying that the Rhodesian Government were still hesitating to commit themselves to a unilateral declaration of independence and had, indeed, slightly withdrawn from the extreme position which they had hitherto maintained in this respect. On the other hand it contained the statement that they had now made their decision on their next step and that its implementation, and the consequences which flowed from it, depended entirely on the response of the United Kingdom Government. If the final decision had indeed been taken, the sole purpose of the letter might therefore be simply to seek to cast upon the United Kingdom Government the onus of driving Rhodesia into unconstitutional action. But, whichever interpretation was more accurate, the letter did not finally break off discussion and still offered some prospect of keeping negotiations in being. It was essential that we should not neglect this opportunity, particularly in view of certain signs of a growing divergence of public opinion on the merits of the Rhodesian dispute which, if not arrested, could harden into a partisan difference of view in relation to issues of race and colour. In these circumstances, he intended to propose to the Rhodesian Government that he should himself visit Salisbury in the very near future in order to explore the possibilities of further negotiation, provided that he was allowed to meet any person whose views he considered might be relevant to the issues involved. This proposal would impose on the Rhodesian Government the onerous responsibility of rejecting a renewed demonstration of our genuine desire to end the deadlock; it should help to prevent Afro-Asian support for the Africans in Rhodesia from developing on extreme lines; and if it succeeded imperceptibly in enlarging the debate from a bilateral negotiation with the Rhodesian Government to a more comprehensive discussion with all important shades of Rhodesian opinion, we might eventually be able to contemplate convening some kind of constitutional conference which would enable us to make a fresh start in guiding Rhodesia to independence.

In discussion it was suggested that it might be premature to contemplate, at this stage, an intervention by the United Kingdom Prime Minister, whose personal presence in Rhodesia should be regarded as an instrument of policy to be employed only in the last resort. It might be preferable that, if a representative of the United Kingdom Government were to pay a further visit to Salisbury, this should be the Commonwealth Secretary; and it might also be for consideration whether a representative of the Opposition should be associated with the mission, in order to restore the bi-partisan approach to the Rhodesian problem which
had recently shown some signs of weakening. On the other hand it would probably be a tactical error to appear to put the Government into commission, even on this issue; nor could it be certain that the Opposition's participation in the mission might not confuse its purposes and prejudice its results. As regards the personal intervention of the Prime Minister, the issue in question related less to the intrinsic value of such a visit than to its timing. If it were indeed the case that the Rhodesian Government had already taken their final decision and that, as soon as they received our reply to their latest letter, they might be irrevocably committed to a unilateral declaration of independence, this was the last opportunity of effective intervention which we should have. In view of the appalling consequences which might flow from a unilateral declaration of independence and might, in certain circumstances, gravely affect our own economy, we should seek to avert it by all means consistent with conscience and honour; and no considerations of personal prestige or reputation should inhibit us from exerting ourselves to this end while there was still time to do so.

The Cabinet—

Took note, with approval, of the Prime Minister's proposal to visit Rhodesia in an attempt to renew negotiations on the question of Rhodesian independence.

2. The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (C (65) 136) on a proposal to include in the Road Safety Bill a provision making it an offence to drive or be in charge of a motor vehicle with more than a prescribed concentration of alcohol in the blood.

The Chancellor of the Duchy of Lancaster said that the Government were committed by specific undertakings in the House of Commons to introduce legislation as soon as possible in the coming Session to make it an offence to drive with more than a prescribed amount of alcohol in the blood. The case for doing this rested on the number of road casualties attributable to drink and the fact that the existing law making it an offence to drive while the ability to do so was impaired by drink was ineffective because proof turned mainly on the driver showing visible signs of intoxication, whereas many drivers drank sufficiently to be unsafe on the road without showing such signs. The Ministers concerned were considering the adoption of a blood alcohol level of 80 mg./100 ml., recommended by the British Medical Association as the level at which driving ability was undoubtedly impaired, irrespective of individual reactions to alcohol. At this level, however, a driver would not necessarily show signs of intoxication, and, if the new measure was to be effective, it was therefore necessary to provide the police with powers to detect drivers who possessed the prescribed level of blood alcohol but showed no signs of intoxication. Evidence of the existence of the prescribed level of blood alcohol could be obtained by chemical tests of specimens of either blood, breath or urine, which could be taken at a police station. It was accordingly proposed to empower the police
to administer to drivers a roadside test by a breath-testing device which would show prima facie evidence of the existence of the prescribed level of blood alcohol, and to require drivers showing this level to come to the police station and give one or other form of specimen. The principal question at issue was whether the police should be empowered to stop drivers at random for the purpose of administering the screening test, or to stop only those whom they had reason to think had been drinking, for example, because they had been seen leaving a public house. The Home Affairs Committee had preferred a random test, on the grounds that it would produce the greater deterrent effect, would cast no slur on a driver who happened to be stopped, and would probably be regarded by the public as less objectionable than a selective test. A selective test, on the other hand, might seem to be biased against those whose social drinking normally took place in public houses or clubs, and would expose the police to a suspicion of unfairness, since, in order to justify stopping a driver, they would have to be in a position to identify him and hence to select known individuals. It was also open to the technical objection that traces of alcohol in the mouth of a driver stopped shortly after drinking even a small quantity of alcohol would cause the screening device to show a disproportionately high level of alcohol in the blood. The Committee had rejected the possibility of making the possession of the prohibited level of blood alcohol conclusive evidence of the existing offence without providing the police with additional powers, on the ground that this would not be regarded as an adequate fulfilment of the Government's pledges to take effective action to deal with the problem of drink and driving.

It had also been proposed that, if a separate offence of driving with more than a prescribed level of blood alcohol were introduced, the maximum penalty on summary conviction should be fixed at three months in order not to confer a right to claim trial by jury. This could be justified in view of the known leniency of juries towards driving offences and the fact that the question at issue would be merely whether the blood alcohol was or was not shown by the chemical test to have exceeded the prescribed level. There were, however, arguments the other way, and the Committee had concluded that if this proposal attracted criticism in the House of Commons it would be right to abandon it.

In discussion it was pointed out that the new proposals were of considerable severity and represented a revolutionary change in the law in that it would be possible to secure a conviction without proof of actual impairment of ability to drive. Public opinion was not necessarily convinced that the problem was sufficiently serious to warrant measures of this kind. On the other hand, there had been a public demand over a number of years for effective action to deal with the dangers to which drivers who were unfit to drive through drink undoubtedly exposed other members of the public, and it was clear that the changes in social custom necessary to ensure that people did not drive after drinking would not take place unless the Government were prepared to introduce a statutory blood alcohol level and to provide effective means of enforcement. While, however,
it would be right to introduce the new offence, it might be unwise to refrain from conferring on drivers charged with it the right to claim trial by jury. The substitution of an objective for a subjective test of the commission of an offence would, in any event, considerably reduce the harmful effect of the leniency of juries.

Discussion then turned on the question whether the police should be empowered to stop drivers for the purpose of a screening test on a random or a selective basis. It was suggested that a random test would expose a driver who had in fact not been drinking to the risk of arrest at the discretion of the police. It was explained, however, that a driver who refused the test but did not appear to have been drinking, would simply be summoned, and, if convicted of the offence of refusing the test, would be punishable by a fine. This might enable a driver who suspected that his blood alcohol was above the prescribed level but was not visibly affected to avoid liability for the penalties of the main offence by refusing the screening test and incurring a fine, but it was not likely that a high proportion would take this course. It might be expected that drivers as a whole would see less objection to a random check which carried no implication that they had been drinking, and that the risk of being stopped at random would be a powerful encouragement to the necessary change in social attitudes. On the other hand, a selective check, which inevitably implied suspicion, might well be more deeply resented, and was open to substantial objection on the ground of the opportunities which it would give for unfair discrimination on the part of the police. It might therefore be that a random check would ultimately be the best solution of the problem, but it was for consideration whether public opinion might be more willing to accept it if, in the first instance, the police were given only the more limited power to impose a selective check, provision being made in the Bill for the powers necessary for random checking to be conferred on them later by regulation.

After further discussion it was suggested that to take a power to introduce random checks which it was not intended to use immediately might expose the Government to the criticism of failing to take a measure which they knew to be necessary because they feared to incur unpopularity. The balance of advantage seemed, therefore, to lie in introducing a random check at the outset. It would be necessary to ensure, however, that a check designed to detect drivers who had been drinking was not used as an occasion for seeking to detect other offences, for example, in connection with the mechanical condition of the vehicle. It might also be desirable to consider whether, in the context of the new provisions, it was necessary to strengthen the safeguards for the driver who, knowing himself to be unfit to drive, remained in his car but without any intention of driving.

The Prime Minister, summing up the discussion, said that the Cabinet were agreed that it should be made an offence to drive or be in charge of a vehicle with more than a prescribed amount of alcohol in the blood, and that it would be unwise to withhold from drivers charged summarily with such an offence the right to opt for
trial by jury. They were also agreed that if the new measure was to be effective in inducing a change in social habits it was necessary to confer additional powers on the police. The balance of opinion was in favour of empowering them to stop drivers at random rather than on the basis of a suspicion that they had been drinking, and of introducing these powers at the outset. He had himself hoped that it might be possible in a matter so closely concerning public behaviour and public opinion to arrange for the House of Commons to take an active part in the preparation of legislation through a Select Committee, but he accepted that, in view of the pledges to introduce a Bill before Christmas, this was not practicable. When the Bill came before the Legislation Committee, however, consideration should be given to the possibility of allowing a free vote on the provisions dealing with drink and driving. Consideration might also be given in a wider context to the value of the Swedish system of relating fines to the income of the offender.

The Cabinet—

(1) Agreed that it should be made an offence to drive or be in charge of a motor vehicle with more than a prescribed concentration of alcohol in the blood, and that drivers charged summarily with this offence should be entitled to claim trial by jury.

(2) Invited the Home Secretary, the Secretary of State for Scotland and the Minister of Transport to consider whether any further safeguards were necessary for the driver who being unfit to drive remained with his vehicle but without intending to drive it.

(3) Invited the Lord President of the Council to arrange for the Legislation Committee to consider in due course whether it would be appropriate for the provisions of the Road Safety Bill dealing with drink and driving to be left to a free vote in the House of Commons.

(4) Invited the Home Secretary and the Secretary of State for Scotland to consider the possibility of adopting a system of fines in which the amount of the fine would be automatically related to the income of the offender and to bring their conclusions before the Home Affairs Committee.

3. The Cabinet began its discussion of the future treatment of legislation for the nationalisation of the iron and steel industry but adjourned at an early stage.
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 21st October, 1965,
at 5 p.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs (Items 1-2)
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P., Minister of Transport
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer (Items 1-2)
The Right Hon. SIR FRANK SOKSCICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for Wales
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The following were also present:
Mr. GEORGE THOMSON, M.P., Minister of State for Foreign Affairs (Items 1-2)
Mr. GEORGE THOMSON, M.P., Minister of State for Foreign Affairs (Items 1-2)

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Miss J. J. NUNN

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1. The Prime Minister informed the Cabinet that the Government of Rhodesia had now replied to the message which had been sent to them as a result of the Cabinet's discussion earlier that day and had indicated that they welcomed his proposal to pay a visit to Salisbury in a fresh attempt to break the deadlock in the negotiations on Rhodesia's constitutional advance. They had confirmed that he would be free to meet anybody whose views he regarded as relevant.

The Cabinet—

Took note, with satisfaction, of this statement.

2. The Prime Minister, resuming the discussion at the Cabinet meeting earlier that day, said that, since it would be necessary to settle the text of The Queen's Speech on the Opening of Parliament in the near future, the Cabinet must now seek to reach a final decision on the question whether the Bill to nationalise the iron and steel industry should be included in the Legislative Programme for the 1965-66 Session of Parliament.

In discussion it was suggested that, if this measure were deferred, the Government might find it difficult to explain why legislation which had been accepted as urgent a year ago had lost something of its urgency during the interval. Moreover, certain of the Government's supporters would be reluctant to accept deferment of a project to which they attached considerable importance; and the Government might be criticised for failing to honour a political pledge which had figured prominently in the Labour Party's Election Manifesto, while retaining in their legislative programme other measures which were politically less significant. Finally, deferment would raise considerable practical problems, in the sense that, if there were any substantial interval of time before the proposals adumbrated in the recent White Paper were put into effect, it would become increasingly difficult to secure the continued co-operation of the industry in maintaining the precautions against the dissipation of assets which had been made, and had been voluntarily accepted by the industry, in anticipation of early legislation. The case for such legislation was further reinforced by the fact that, as a result of the recent ruling by the Restrictive Practices Court in relation to the maximum prices operated by the Iron and Steel Board, it might be necessary in any event to introduce a measure affecting iron and steel during the forthcoming Session; and the Government would be the more vulnerable to criticism if they failed to take this opportunity to enact the more radical measures of reform which had been contemplated in the White Paper.

On the other hand it could be argued that the nationalisation of the industry was now not as urgent as several other measures contained in the legislative programme for the next Session; and it

* Previously recorded as a Confidential Annex.

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could reasonably be maintained that a proper allocation of legislative priorities in relation to the Government's economic policies would not accord a very high place to the Bill to nationalise iron and steel. If so, the Government would not necessarily be held to display political strength if they now sought to insist on including in the forthcoming legislative programme a measure which, public opinion might consider, remained debatable on merits and was no longer of first urgency. Indeed, it was now generally assumed by public opinion that the Bill to nationalise the iron and steel industry would be postponed; and the Government would be liable to suffer more severely in terms of popular esteem if they insisted on retaining the Bill in the legislative programme at the expense of other measures which would contribute more effectively to the realisation of the policies of the Labour Party than if they proposed its deferment for an interval.

These considerations of policy were reinforced by the practical difficulty of accommodating the necessary legislation within a legislative programme for the forthcoming Session which was already overburdened. There was little doubt that, if the Government proceeded with the Bill to nationalise the iron and steel industry, it would be necessary to jettison several other Bills, e.g., the Local Government Finance Bills, the Housing (Financial Provisions) Bills and the Workmen's Compensation (Old Cases) Bill. In place of these important and politically attractive measures the Government would be undertaking to enact a Bill which would be bitterly contested at all stages in both Houses and would place the maximum of strain on their supporters. Admittedly, one of the measures contributing to the congestion of the legislative programme was the proposed Bill on Commonwealth Immigration; and one section of the Government's supporters might be disposed to criticise a decision whereby the legislative programme was held to be unable to accommodate so important a policy measure as the Bill to nationalise the iron and steel industry but could nevertheless find room for the politically arguable Bill on Commonwealth Immigration. It could not be assumed, however, that, when the Cabinet reviewed the legislative programme as a whole, it would be found possible in any event to retain the latter Bill in face of the competition of other measures which could claim higher priority on both social and economic grounds.

A more serious objection to the omission of the measure to nationalise iron and steel from the forthcoming legislative programme was the fact that it would not be possible for the industry to remain in a state of indefinite suspense on the basis of the arrangements outlined in the recent White Paper. The industry would realise that these arrangements, particularly in so far as they inhibited any dissipation of assets, were not reinforced by any sanction but depended upon the co-operation of the industry itself. In so far as the industry saw fit to take advantage of the interval provided by deferment of the Bill to redispose their assets it would be impossible for the Government thereafter to introduce a measure of nationalisation except on the basis of a hybrid Bill; and this would
Legislative Programme 1965-66

(Previous Reference: CC (65) 35th Conclusions, Minute 4)

be liable to be an even more protracted and contentious measure than the Bill at present in question. Moreover, the compensation arrangements envisaged in the White Paper would become progressively out of date and inapplicable. It was for consideration whether the Government should take statutory powers to enforce the safeguards against dissipation of assets in the interim period before legislation to nationalise the industry was introduced. But there would be considerable objections to any compromise of this kind; and it might be wiser to leave it to the industry to appreciate that, to the extent to which they sought to evade the intentions of the White Paper in the interval before a new Bill was introduced, it would be open to the Government to claim that compensation provisions which might have been reasonable in 1965 were no longer appropriate in the changed circumstances which would obtain at a later date. This should prove a considerable deterrent to any attempt to frustrate the purposes of the White Paper.

The Prime Minister, summing up the discussion, said that it appeared to be the preponderant view of the Cabinet that it would be preferable that no mention should be made of the Bill to nationalise the iron and steel industry in The Queen’s Speech on the Opening of Parliament but that he himself should explain in his speech in the Debate on the Address the reasons for which the Government had decided to defer action in this respect. He would emphasise that this decision entailed no more than the postponement of the Bill; and it might be necessary to make it clear that if, as a result, the eventual legislation had to take the form of a hybrid Bill, the Government would be prepared to face this situation on the basis of an assumption that, if the industry had sought to evade in the interval the safeguards against redisposition of assets which had been contained in the White Paper, the Bill would seek to invalidate transactions of this kind so far as possible and the Government would be entitled to reconsider the other arrangements embodied in the White Paper, particularly the terms of compensation.

The Cabinet—

Agreed to defer, in relation to the legislative programme for the 1965-66 Session, the introduction of legislation to nationalise the iron and steel industry.

Legislative Programme 1965-66

(Previous Reference: CC (65) 35th Conclusions, Minute 4)

3. The Cabinet considered a memorandum by the Lord President of the Council (C (65) 133) on the Legislative Programme 1965–66.

The Lord President said that it was now necessary to review the legislative programme for the coming Session in order both to avoid giving undertakings in The Queen’s Speech on the Opening of Parliament which the Government might be unable to fulfil and to establish priorities so that Parliamentary Counsel might concentrate on drafting those Bills which must be introduced early in the Session.
The programme approved by the Cabinet in July, together with other Bills which it had since become necessary to add, had been reviewed by The Queen's Speeches Committee. It would be impossible to take in a single session all the Bills concerned and the Committee had therefore sought to identify those which, however desirable, could not be given priority and to arrange the remainder into groups to be introduced, respectively before Christmas, in January and later. The Committee considered it necessary to relegate to the reserve list Bills on Superannuation and Pirate Broadcasting and to hold back Bills on Overseas Aid, Criminal Justice, Children and National Parks. Without these, the programme was estimated to occupy 82 days on the floor of the House of Commons, or 87 if the Investment Grants Bill were too late to be taken in Standing Committee; there would normally be some 56 days available. If it were desired to pass all the Bills in the programme, it would be necessary to shorten the recesses and arrange an extended autumn Session, but it seemed preferable to plan the programme on the basis that Bills should be passed by the end of July, and to seek to reduce it accordingly. The Committee recommended the addition to the programme of a Colonial Enabling Bill, to enable the Government to confer independence, or a new status short of independence, on a Colonial territory by Order in Council. It was unlikely that such a Bill could be introduced much before the following Easter, but although it might initially take more time than Bills providing individually for the independence of Colonial territories, it was worth introduction in the present Session in the hope that it would save some of those Bills which would otherwise be required before the Summer Recess.

In discussion the following principal points were made:

(a) The Investment Grants Bill could be sent to Standing Committee if it were introduced in February. If not, it would have to be taken on the floor of the House of Commons. It would be a substantial Bill, including provisions for the continuation of powers under the Local Employment Acts and it might also be necessary to introduce a separate Bill for the establishment of the proposed Industrial Reorganisation Finance Corporation.

(b) In view of the heavy pressure on the Parliamentary timetable, the Commonwealth Immigrants Bill might be deferred. It was not required for the purpose of reducing the number of vouchers, which had already been done by administrative action, and it would in any event be necessary to have a major Bill in a later Session to put immigration controls on a permanent basis. On the other hand, a Bill was necessary to check evasion, the extent of which would become apparent from the figures which it was customary to publish from time to time, and the Government would be liable to be criticised if, after the consultations carried out by Lord Mountbatten's Mission and the publication of a White Paper, they did not take steps to prevent evasion and to provide for medical checks which they had declared to be necessary. A substantial body of opinion was, however, critical of the White Paper, as was opinion in some of the dependent territories, and it was difficult to argue that the Bill was of such urgency that it must be included in the legislative
programme in preference to other important measures. On balance, the best course seemed to be to defer the Bill to the 1966–67 Session and to justify doing so in the course of the debate on The Address on the ground of the greater urgency of other Government measures.

(c) The Overseas Aid Bill was required if aid was to be put on a proper statutory basis. Aid could continue for another year under the Appropriation Act, but the Bill was also required to give effect to the decision announced in the White Paper on Overseas Development: The Work of the New Ministry (Cmnd. 2736) to establish an overseas service pensions fund for the proposed corps of specialists. The Bill should therefore be included in the programme though not with priority over Bills required early in the Session. Consideration should be given to the inclusion in it of the provisions of the Indus Basin Development Bill.

(d) The Housing (Financial Provisions) (Scotland) Bill should, if possible, be combined with the corresponding measure for England and Wales.

(e) It would be desirable to secure the passage during the Session, if possible in the spring, of the Colonial Independence (Enabling Powers) Bill as a means both of saving time otherwise required for separate Independence Bills and of facilitating the development of a policy of conferring on dependent territories a new status short of independence.

(f) The Criminal Justice Bill and the Children Bill were major measures of social reform. The former was urgently needed as a means of reducing overcrowding in prisons and enabling constructive work to be undertaken. The Children Bill would implement policies which the Government had recently announced in the White Paper on The Child, The Family and The Young Offender (Cmnd. 2742), and it would be unfortunate if progress could not be made with this aspect of the Government's social policy. Although the Criminal Justice Bill could not be ready for some time because work on it had had to be suspended in favour of Bills required before Christmas, it might, nevertheless, be possible to secure its passage later in the Session. There was little prospect, however, of time being found for the Children Bill, and it seemed preferable to devote the coming months to consultation with local authorities and others concerned, some of whom had reservations about the proposals, with a view to the introduction of a Bill early in the 1966–67 Session.

The Prime Minister, summing up the discussion, said that the Cabinet were agreed that the Commonwealth Immigrants Bill should be omitted from the programme for the coming Session, on the understanding that it should be made clear in the Debate on the Address that it had merely been deferred to the 1966–67 Session on account of the volume of more urgent legislation which it was necessary to pass in the coming Session. The Bills on Children and National Parks should also be deferred. The Bills on Oversea Aid and Criminal Justice should remain in the programme, but could not be given priority in drafting over Bills required early in the Session.
The Colonial Independence (Enabling Powers) Bill should be fitted into the programme if possible, and it might become necessary to add a separate Bill on the Industrial Reorganisation Finance Corporation. It was recognised that it was unlikely that all the Bills remaining in the programme could be passed and that preference must be given to those most urgently needed. The Lord President should keep the programme under review in order to ensure the maintenance of suitable priorities.

The Cabinet—

(1) Agreed that the Commonwealth Immigrants, Children and National Parks Bills should not be included in the legislative programme for 1965-66.

(2) Took note that it might be necessary to add to the programme a Bill on the Industrial Reorganisation Finance Corporation.

(3) Subject to (1) and (2) above, approved the legislative programme annexed to C (65) 133.

(4) Invited the Lord President of the Council to keep the progress of the legislative programme under review.

4. The Cabinet considered a memorandum by the Lord President of the Council (C (65) 134) to which was attached the draft of The Queen’s Speech on the Prorogation of Parliament.

In discussion the following points were made:

(a) There would be advantage in the conflation of paragraphs 3 and 8 of the draft to eliminate the duplication in references to the recent Meeting of Commonwealth Prime Ministers.

(b) Reference should be made to the meeting of the First Commonwealth Medical Conference.

(c) It was suggested that there should be mention of the Murder (Abolition of Death Penalty) Act in view of the importance of this measure. It was, however, the general view that since The Queen’s Speech could not properly mention a Private Member’s Bill, such a reference would not be appropriate.

Certain other amendments were agreed.

The Cabinet—

(1) Invited the Lord President of the Council, in consultation with the Commonwealth Secretary and the Minister of State for Foreign Affairs, to consider in the light of the discussion the conflation of paragraphs 3 and 8 of the draft.

(2) Subject to Conclusion (1) and to the amendments agreed in discussion approved the draft annexed to C (65) 134.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 26th October, 1965, at 10 a.m.

Present:

The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs (in the Chair)

The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council

The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer

The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence

The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland

The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies

The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal

The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government

The Right Hon. R. J. GUNTER, M.P., Minister of Labour

The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. TOM FRASER, M.P., Minister of Transport

The Right Hon. LORD GARDINER, Lord Chancellor

The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs

The Right Hon. Sir FRANK SOSKICE, Q.C., M.P., Secretary of State for the Home Department

The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales

The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade

The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science

The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster

The Right Hon. FRANK COUSINS, M.P., Minister of Technology

The Right Hon. FREDERICK LEE, M.P., Minister of Power

The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

The following were also present:

The Right Hon. MARGARET HERBISON, M.P., Minister of Pensions and National Insurance (Item 3)

Mr. CLEDWYN HUGHES, M.P., Minister of State, Commonwealth Relations Office

The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury (Items 1-3)

The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Item 3)

The Right Hon. Sir ELWYN JONES, Q.C., M.P., Attorney-General (Items 2 and 3)

Secretariat:

Mr. P. ROGERS
Miss J. J. NUNN
Mr. D. S. LASKEY
Mr. L. ERRINGTON

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1. The Foreign Secretary said that he had visited the United Nations Organisation in New York, and subsequently Washington, Japan and Korea. Japan and Korea had recently signed a treaty which should improve the previously strained relations between them and should therefore act as a stabilising factor in Asia. In Korea the burden of military expenditure was very heavy and economic progress was less rapid than in North Korea. If this persisted, its implication for the stability of the country would be disquieting. In Japan the British Trade Fair had been most successful and should lead to useful results. Japanese investment in Indonesia was on a considerable scale and in consequence there had been a danger that their earlier attempts at mediation over the Indonesian confrontation of Malaysia might tend to favour Indonesia: there now seemed less danger of this and he had made it clear that we should welcome Japanese mediation if this would help to achieve a reasonable settlement. In discussions on Rhodesia the Japanese Government had shown themselves understanding of our difficult position and supported our policy. He had discussed the situation in Vietnam not only with the Japanese Government but also with leaders of the two main Socialist Opposition parties. They were critical of United States policy but did not want a Communist victory. They would welcome the kind of settlement which we advocated but, like ourselves, they faced the difficulty of finding means to induce the North Vietnamese to negotiate.

In his discussions in Washington the United States Government had made it clear that they would not recognise or help the Rhodesian Government in the event of a unilateral declaration of independence (u.d.i.). They had, however, been cautious about financial or economic assistance for the United Kingdom to meet difficulties which we might face in that event. They had also pointed out that they would only have legal power to stop United States purchases of Rhodesian tobacco if the United Nations took enforcement action under Chapter VII of the Charter. This could lead to difficulties since it was important for our broader interests that United Nations action should be limited to the provisions of Chapter VI.

He had also discussed in Washington the related questions of the nuclear arrangements to be made in the North Atlantic Treaty Organisation (NATO) and the possibility of a non-proliferation treaty with the Soviet Union. The objective in NATO was to give Germany a share in determining the nuclear policy of the Alliance since Germany could not indefinitely be treated differently from the other principal NATO members. On the other hand the conclusion of a non-proliferation treaty with the Soviet Union would be of great value, not so much perhaps for itself, but as a starting point for further measures of agreement and as a framework within which it might be possible to devise guarantees for the non-nuclear Powers. It was evident that there were different views on this issue within the United States Administration and some members felt that we
might be attaching too much importance to a non-proliferation treaty at the expense of the arrangements to be made in NATO. He had, however, argued that NATO must look afresh at this problem and that it was right for the matter to be discussed in the first instance between ourselves and the United States Government. Much would depend on the real attitude of the Soviet Union, and if they genuinely wanted a treaty it should be possible to negotiate one. He hoped to learn more about the Soviet attitude during his visit to Moscow at the end of November. It was perhaps significant that after a long period of delay in fixing a date for this, the Soviet Foreign Minister in New York had at his first meeting readily agreed to do so. At the United Nations, there had been a widespread sense of relief that the difficulties over finance which had threatened the future of the Organisation had now been overcome.

In discussion it was suggested that a non-proliferation treaty might achieve little since none of the nuclear Powers, except perhaps China, was likely to give nuclear weapons to non-nuclear Powers. The real problem was to prevent the non-nuclear Powers who were equipped to do so, particularly Germany, India and Israel, from manufacturing nuclear weapons. There seemed no possibility that the nuclear Powers would combine to take physical action to prevent this. If the non-nuclear Powers were to be dissuaded rather than prevented from making nuclear weapons, they would require assurances from the nuclear Powers which would guarantee their security. In the case of Germany it might prove difficult to give such assurances through NATO and at the same time negotiate a non-proliferation treaty with the Soviet Union. Guarantees for India and for Israel also presented great difficulty. It was, however, pointed out that while these difficulties admittedly existed the conclusion of a non-proliferation treaty would create a more favourable atmosphere which might facilitate the resolution of other matters now in dispute between the West and the Soviet Union. We should not therefore at this stage disregard the potential importance of such a treaty.

The Cabinet—

Took note, with approval, of the Foreign Secretary's statement.

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Rhodesia
(Previous Reference: CC (65) 52nd Conclusions, Minute 1)

2. *The First Secretary of State* said that the Prime Minister had taken with him a letter from The Queen to the Prime Minister of Rhodesia. This had been delivered and the text would be published later in the day.

The Cabinet—

Took note.
3. The Cabinet considered a memorandum by the Minister of Pensions and National Insurance (C(65)137) on proposals for earnings-related short-term benefits.

The Minister of Pensions and National Insurance recalled that the Cabinet had previously asked that the priority to be accorded to the introduction of an earnings-related widow's allowance should be further considered. The argument on social grounds for improving the provision made in the early months of widowhood was even stronger than the case for improving the provisions for the unemployed and sick. Provision of an earnings-related supplement for the first six months of widowhood would cost £7 million a year and could be met within the limit which had been agreed for total expenditure by her Ministry on the assumption that benefit rates would not rise faster than earnings and that the next general increase in such rates would not occur before June 1967. Extra expenditure of this order would make little difference to the possibility of effecting the major improvements which might emerge from the general review of social security payments, whether for widows generally, family allowances or National Assistance. Among possible smaller improvements, her proposals for supplementing widow's allowance stood first in order of priority. If the Bill for the provision of earnings-related short-term benefits were published without any such provision there would be difficulty in resisting amendment and the proposal recently put forward by the Opposition for a special payment on widowhood made it all the more important that The Queen's Speech should refer specifically to the inclusion of widow's allowance in the forthcoming legislation.

In discussion it was argued that the further provision proposed for widows would pre-empt what was still available within the agreed total expenditure by the Ministry until 1968. Fuller consideration ought therefore to be given to priorities and to the limitations which extra expenditure on widow's allowance would impose on the Government's freedom of decision in considering any subsequent proposals involving expenditure, including the extent and the timing of any general increase in benefit rates. It was not essential to make reference to the widow's allowance in The Queen's Speech, and it would therefore be preferable for priorities to be fully considered by the Social Services Committee in accordance with the Cabinet's previous decision. On the other hand it was pointed out that, while earnings-related unemployment benefit was being introduced primarily on economic grounds, the decision to extend earnings-relationship to sickness benefit had been taken mainly on grounds of social policy: an earnings-related supplement for widowed mothers was the logical accompaniment and the case for it on social grounds was very strong. The difficulty of resisting any amendment made its eventual inclusion in the Bill almost inevitable and there were therefore strong presentational grounds for including a reference to widow's allowance in The Queen's Speech.
Secret

The First Secretary of State, summing up the discussion, said that, while the case on social grounds for improving the provision for widows was undoubtedly a strong one, the Cabinet on balance took the view that in the first instance there should be a fuller appreciation by the Ministers primarily concerned of the priority to be accorded to such provision in the field of the social services, and of the implications for other expenditure in this field of taking such a decision at the present stage. This study should be undertaken by the Social Services Committee which should report to the Cabinet as rapidly as possible.

The Cabinet—

Invited the Chancellor of the Duchy of Lancaster to arrange for the Social Services Committee to consider the priority to be accorded to earnings-related widow’s allowance and the implications of a decision to undertake such expenditure at the present time in accordance with the summing up by the First Secretary of State.

4. The Cabinet considered a note by the Lord President of the Council (C (65) 135) to which was annexed the draft of The Queen’s Speech on the Opening of Parliament.

The Lord President of the Council said that the draft was longer than was customary and should if possible be shortened.

In discussion the following main points were made:

(a) The reference to the prospect of independence for a number of Colonial territories should be deleted since it might prove embarrassing in relation to the reference which would have to be inserted at a later stage to the position in Rhodesia. In drafting the latter, further consideration should, however, then be given to the possibility of including some reference to the prospect of independence for the territories in question.

(b) In considering the presentation of the Government’s measures relating to the economy and to the social services it would be necessary to achieve an appropriate balance of priorities. Certain amendments were proposed to that end.

(c) The paragraph relating to action in respect of the docks should be deferred for further consideration in the light of the views of the Ministerial Committee on the Reorganisation of the Docks on the measures which should be taken during the forthcoming Session.

(d) A decision on the inclusion of supplementary national insurance benefits in the early stages of widowhood would have to be deferred, having regard to the Cabinet’s conclusion on the previous item of their agenda.

(e) In the light of the decision of the Cabinet at their previous meeting to defer the introduction of legislation to strengthen the law
on Commonwealth immigration, the second half of paragraph 30 was no longer appropriate. It was, however, desirable to include some reference to strengthening the control of such immigration.

(f) Mention should be made of the Government's intention to bring forward proposals for the more effective co-ordination of inland transport.

(g) It was suggested that there would be advantage in including, perhaps in paragraph 34, mention of the special need of Wales. On the other hand, the existing reference to Scotland was justified by the different legislation necessitated by Scotland's different system of law and administration, whereas special legal provision for Wales was with few exceptions unnecessary. In so far as Wales had separate regional needs these were covered by measures which ensured concern for regional interests generally. On this view a special mention of Wales would be purely conventional and should preferably be avoided.

(h) Certain textual amendments to the draft Speech were agreed.

The First Secretary of State, summing up the discussion, said that the Cabinet would wish to consider further the references to legislation on the docks and to supplementary national insurance benefits for widows, in the light of the consideration to be given to these issues by the relevant Ministerial Committees. As regards a reference to Wales, the Cabinet might agree that this should be left for decision by the Lord President in the light of practice in previous Queen's Speeches.

The Cabinet—

(1) Agreed to consider further at a subsequent meeting the references to legislation relating to the docks and to the provision of supplementary national insurance benefits in the early stages of widowhood.

(2) Invited the Lord President of the Council to consider further in the light of the discussion the desirability of including a special reference to Wales.

(3) Subject to Conclusions (1) and (2) and to the amendments agreed in discussion, approved the draft text annexed to C (65) 135.

Cabinet Office, S.W.1,

26th October, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 28th October, 1965,
at 12 noon

Present:
The Right Hon. GEORGE BROWN, M P, First Secretary of State and Secretary of State for Economic Affairs (in the Chair)
The Right Hon. HERBERT BOWDEN, M P, Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M P, Chancellor of the Exchequer
The Right Hon. Sir FRANK SOKSE, Q C, M P, Secretary of State for the Home Department
The Right Hon. JAMES GRIFFITHS, M P, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M P, Secretary of State for Wales
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. FREDERICK LEE, M P, Secretary of State for Scotland
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. ANTHONY GREENWOOD, M P, Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M P, Secretary of State for the Colonies
The Right Hon. FRANK COUSINS, M P, Minister of Technology (Items 1-3)
The Right Hon. RICHARD CROSSMAN, M P, Secretary of State for Foreign Affairs
Mr. ROY MASON, M P, Minister of State, Parliamentary Secretary, Treasury

The following were also present:
The Right Hon. MARGARET HERBISON, M P, Chief Secretary, Treasury (Item 3)
Mr. GEORGE THOMSON, M P, Secretary of State for Foreign Affairs (Items 1 and 2)
Mr. CLEDWYN HUGHES, M P, Minister of State, Commonwealth Relations Office (Items 1 and 2)
Mr. BARBARA CASTLE, M P, Minister of Overseas Development

Secretariat:
Mr. P. ROGERS
Miss J. J. NUNN
Mr. D. S. LASKEY
Mr. L. ERRINGTON
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The First Secretary of State said that the reports received from Salisbury showed that the situation was extremely discouraging. Discussions about the proposed treaty between the United Kingdom and Rhodesia suggested that it was most unlikely that it could be accepted as meeting the requirement for a guarantee against retrogressive amendment of the Constitution, let alone satisfying the other four of the five principles put forward by the United Kingdom Government. Certain proposals had been put forward, not by the Government of Rhodesia, but by others in whom we could have confidence, about constitutional changes. The purpose of the Attorney-General going to Rhodesia had been to advise on these as well as on the question of a treaty. The Prime Minister of Rhodesia had described these proposals as offering "a ray of hope" but it seemed doubtful at present whether as they stood they would be acceptable either to the Rhodesian Government or to the African nationalist leaders or would meet our own requirements.

The leaders of the two African nationalist parties, Mr. Nkomo and the Rev. Sithole, had been brought to Salisbury for discussions with the Prime Minister, though they had made complaints about the manner in which they had been treated by the Rhodesian Government in the course of this visit. The Prime Minister had seen them on the previous day but the outcome of the meeting was most disappointing. Neither showed any disposition to join forces or even to meet jointly with the Prime Minister. Both took the view that the United Kingdom should be prepared to use force and suspend the Constitution and were not ready to consider any constitutional changes which would be realistic at this stage. Nor were they interested in any programme of administrative training for African civil servants. This proposal had also been put to the Prime Minister of Rhodesia who had claimed that his Government were doing all that was required in this field. It had however been agreed that the Parliamentary Secretary, Ministry of Overseas Development, should discuss the matter with the appropriate authorities in Rhodesia.

Information had also been received about a private discussion of Heads of Delegations at the meeting of the Organisation of African Unity at Accra. This was to the effect that they were suspicious of the possibility of an agreement between the United Kingdom and Rhodesian Governments, that they unanimously agreed that nothing short of universal suffrage would be acceptable and that in the event of negotiated independence falling short of this they would refuse
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Parliament

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

Oversea Affairs
Rhodesia

(Previous Reference: CC (65) 54th Conclusions, Minute 2)

2. *The First Secretary of State* said that the reports received from Salisbury showed that the situation was extremely discouraging. Discussions about the proposed treaty between the United Kingdom and Rhodesia suggested that it was most unlikely that it could be accepted as meeting the requirement for a guarantee against retrogressive amendment of the Constitution, let alone satisfying the other four of the five principles put forward by the United Kingdom Government. Certain proposals had been put forward, not by the Government of Rhodesia, but by others in whom we could have confidence, about constitutional changes. The purpose of the Attorney-General going to Rhodesia had been to advise on these as well as on the question of a treaty. The Prime Minister of Rhodesia had described these proposals as offering “a ray of hope” but it seemed doubtful at present whether as they stood they would be acceptable either to the Rhodesian Government or to the African nationalist leaders or would meet our own requirements.

The leaders of the two African nationalist parties, Mr. Nkomo and the Rev. Sithole, had been brought to Salisbury for discussions with the Prime Minister, though they had made complaints about the manner in which they had been treated by the Rhodesian Government in the course of this visit. The Prime Minister had seen them on the previous day but the outcome of the meeting was most disappointing. Neither showed any disposition to join forces or even to meet jointly with the Prime Minister. Both took the view that the United Kingdom should be prepared to use force and suspend the Constitution and were not ready to consider any constitutional changes which would be realistic at this stage. Nor were they interested in any programme of administrative training for African civil servants. This proposal had also been put to the Prime Minister of Rhodesia who had claimed that his Government were doing all that was required in this field. It had however been agreed that the Parliamentary Secretary, Ministry of Overseas Development, should discuss the matter with the appropriate authorities in Rhodesia.

Information had also been received about a private discussion of Heads of Delegations at the meeting of the Organisation of African Unity at Accra. This was to the effect that they were suspicious of the possibility of an agreement between the United Kingdom and Rhodesian Governments, that they unanimously agreed that nothing short of universal suffrage would be acceptable and that in the event of negotiated independence falling short of this they would refuse...
to recognise the new Government, encourage and assist the formation of a Government in exile, and bring the maximum pressure to bear on the United Kingdom. It was stated that they also believed that if the *status quo* proved to be the outcome of the current talks, the effectiveness of United Nations action would depend on the success of efforts to sponsor a Government in exile and “create a warlike situation constituting a real threat to peace”.

The position was therefore most unpromising but the Prime Minister would be having further discussions with a wide range of those concerned, including possibly a further meeting with the African nationalist leaders, and was considering certain possibilities for further action, so that the picture might change. While we must prepare for the worst, it was essential that nothing should be done or said at this stage which would prejudice the outcome of the Prime Minister’s efforts and that the utmost secrecy should be preserved on the course of the discussions.

The Cabinet—

Took note of the First Secretary of State’s statement.

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3. The Cabinet considered a note by the Chancellor of the Duchy of Lancaster (C (65) 138), to which was appended a memorandum by the Minister of Pensions and National Insurance on the priority to be accorded to earnings-related widow’s allowance.

*The Chancellor of the Duchy of Lancaster* recalled that he had been invited by the Cabinet at their previous meeting to arrange for the Social Services Committee to consider the priority to be given to the proposals by the Minister of Pensions and National Insurance for earnings-related widow’s allowance and the implications of a decision to undertake such expenditure at the present time. The Social Services Committee had considered the matter in the light of further information set out in the memorandum by the Minister appended to his note. The Committee recognised that, within the limits of total expenditure which had already been agreed for the Ministry, additional expenditure of £7 million a year must correspondingly limit freedom of decision on subsequent proposals creating extra expenditure in the Minister’s field. They had none the less come to the conclusion that there were strong reasons of social policy for taking this opportunity to improve the provision for widows in a manner comparable to that proposed for the unemployed and sick.

In discussion there was general agreement with this proposal.

The Cabinet—

Approved C (65) 138.

SECRET
4. The Cabinet resumed their discussion of the draft of The Queen’s Speech on the Opening of Parliament annexed to a note by the Lord President of the Council (C (65) 135).

The First Secretary of State informed the Cabinet that the Ministerial Committee on the Reorganisation of the Docks had considered paragraph 14 in the draft Speech and had concluded that it was not possible in the current stage of the development of policy to include a reference to any specific proposals. They had agreed upon a form of words, which, while committing the Government to legislation since this would in any event be required, left open its extent and nature.

The Lord President recalled that he had been invited to consider, in the light of the Cabinet’s discussion at their previous meeting, the desirability of including a special reference to Wales. There was, however, no precedent for including a general reference to Wales, on the analogy of the reference to the special needs of Scotland, and there appeared on this occasion to be no specific topic to which a reference could suitably be made. In the circumstances it appeared better not to add a reference to Wales. Certain changes in the reference to leasehold reform had been agreed in the light of the Cabinet’s previous discussion.

In discussion the following points were made:

(a) In the proposed new paragraph on reorganisation of the docks it might be desirable, subject to consultation with the Minister of Technology, to substitute for “docks”, where it first occurred, the word “ports”, as having an appropriately wider connotation.

(b) The absence of a special reference to Wales would disappoint Welsh sentiment in view of the customary reference to Scotland. The latter, however, was based on the existence in Scotland of a separate system of law, and could hardly be omitted.

The First Secretary of State, summing up the discussion, said that the Cabinet approved the revised form of the paragraph on the reorganisation of the docks, subject to further consideration, in consultation with the Minister of Technology, of the substitution of “ports” for “docks” in the opening phrase. The Cabinet’s conclusion on the previous item of their agenda would result in the retention of the reference to supplementary national insurance benefits, related to earnings, being extended to widows. On Wales, the balance of opinion was against creating a precedent for the inclusion of a merely conventional reference.

The Cabinet—

(1) Invited the Lord President of the Council to consult the Minister of Technology on the proposed amendment of the new paragraph on the docks.

(2) Subject to (1) above, approved the inclusion in the draft Speech of a reference to the reorganisation of the docks in the terms proposed by the First Secretary of State.
(3) Agreed to the inclusion of a reference to widows in paragraph 25.
(4) Agreed not to add to the draft Speech a special reference to Wales.
(5) Subject to (1) above, to the amendments agreed in discussion and to those agreed at their previous meeting, approved the draft text of The Queen’s Speech on the Opening of Parliament annexed to C (65) 135.
(6) Took note that the First Secretary of State would submit the text, as amended, to The Queen for Her approval.

_Cabinet Office, S.W.1,
28th October, 1965_
SECRET

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Printed for the Cabinet. November 1965

CC (65) Copy No. 33

56th Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 2nd November, 1965, at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M P, Prime Minister
The Right Hon. GEORGE BROWN, M P, First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. MICHAEL STEWART, M P, Secretary of State for Foreign Affairs
The Right Hon. Sir FRANK SOSKICE, Q C, M P, Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M P, Secretary of State for the Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CRUSSMAN, M P, Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M P, Minister of Labour
The Right Hon. FRED PEARCE, M P, Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M P, Minister of Transport

The Right Hon. HERBERT BOWDEN, M P, Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M P, Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M P, Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M P, Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M P, Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M P, President of the Board of Trade
The Right Hon. ANTHONY CROSLAND, M P, Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M P, Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M P, Minister of Technology
The Right Hon. FREDERICK LEE, M P, Minister of Power
The Right Hon. BARBARA CASTLE, M P, Minister of Overseas Development

The following were also present:
The Right Hon. Sir ELWYN JONES, Q C, M P, Attorney-General

The Right Hon. EDWARD SHORT, M P, Chief Secretary, Treasury

Secretariat:
Sir BURKE TEEND
Mr. P. ROGERS
Mr. J. H. LOCKE

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Rhodesia

Previous Reference: CC (65) 55th Conclusions, Minute 2

1. The Cabinet had before them a Note by the Prime Minister (C. (65) 142), to which were annexed:

(a) The text of the statement which the Prime Minister had made in the House of Commons on the previous afternoon describing the outcome of his consultations with the Rhodesian Government during his visit to Salisbury in the previous week.

(b) The text of a report by the Commonwealth Secretary and the Attorney-General about the result of further discussions which they had conducted with the Rhodesian Government since the Prime Minister's return from Salisbury.

(c) The text of a letter which the Prime Minister of Rhodesia, Mr. Ian Smith, had sent to London on the previous day.

(d) The text of part of the discussions which the former Prime Minister and Commonwealth Secretary had held with Rhodesian Ministers in London in September 1964.

The Prime Minister said that he had made it clear to Mr. Smith in Salisbury that, if he was prepared to reject the advice of his more extreme supporters, it was now possible for him to lead Rhodesia away from the concept of a unilateral declaration of independence towards more constitutional methods of procedure. This opportunity had been provided to him by the suggestion which we had made towards the end of the discussions in Salisbury, namely that a Royal Commission should now be established, on the joint recommendation of both Governments, in order to devise a means of ascertaining whether specified constitutional proposals were acceptable to the people of Rhodesia as a whole and so satisfying the fifth of our five principles. Mr. Smith had accepted this proposal in principle, together with our suggestions about the size and composition of the Royal Commission and our stipulation that their report should be unanimous. On the other hand there was as yet no agreement between the two Governments about the content of the proposals which should be submitted to the test of opinion in Rhodesia once the Royal Commission had devised a satisfactory means of conducting such a test.

The Commonwealth Secretary and the Attorney-General confirmed that this was so. All the discussions which they had conducted with the Rhodesian Government after the departure of the Prime Minister from Salisbury had revealed that a fundamental difference still persisted between the two Governments about the safeguards which should be incorporated in any proposals to be canvassed by the Royal Commission in order to prevent retrogressive amendment of the constitution after independence. In particular, it was clear that the Rhodesian Government were determined to retain their freedom to prevent the ultimate emergence of African majority rule in Rhodesia by refusing to entrench the clauses in the constitution which governed the composition of the Legislature and so leaving themselves free to adjust the ratio of "A" Roll to "B" Roll seats in such a way as to perpetuate a European majority. They contemplated the elimination of a "B" Roll seat in return for each
“A” Roll seat which was won by an African as the Africans acquired, over a period of years, the higher educational and economic qualifications which the “A” Roll franchise required; and they had rejected even our modest suggestion that one African “B” Roll seat should not be surrendered until at least two “A” Roll seats were occupied by Africans. Moreover, although they were prepared to try to enlarge African educational opportunities, they had made it wholly clear that their motive in so doing was merely to equip the Africans to participate more effectively in the economic life of the country and not in any way to hasten their political advancement.

The Prime Minister said that the Cabinet were faced with a very difficult decision. His discussions in Salisbury had made it very clear that Rhodesia was not yet ready for independence. The African Chiefs, on whom the Rhodesian Government relied for support of their own views, were politically immature. The African Nationalists were divided between two factions, who showed little inclination to co-operate or to adopt constitutional methods, although he had some success in compelling them to realise the realities of the situation in Rhodesia and the impracticability of United Kingdom intervention by means of military force. European opinion in the country was divided between the extremist Rhodesia Front, which constituted the Government, and more moderate individuals such as the Chief Justice, Sir Robert Tredgold, Mr. Garfield Todd, Sir Roy Welensky, etc., all of whom had been shown by his discussions with them to be opposed to a unilateral declaration of independence but, for a variety of reasons, to be incapable in present circumstances of providing an effective focus of opposition to Mr. Smith’s Government. African opinion outside Rhodesia was similarly divided. On his return journey he had discussed the situation with the President of Zambia, President Kaunda, who had been very apprehensive of the possible impact of a unilateral declaration of independence on the Zambian economy but had agreed with other African leaders in condemning the attitude of Mr. Smith’s Government. The Prime Minister of Nigeria had also adopted a moderate tone and had been prepared to give public support to our proposal for a Royal Commission. The President of Ghana had attacked it in a public statement but had shown himself, in private discussion, to be well disposed towards our efforts of conciliation. The East African leaders, in their discussions with the Commonwealth Secretary and the Attorney-General on their way home from Salisbury, had shown a similar diversity of attitude. President Nyerere of Tanzania had maintained that there should be no question of independence for Rhodesia until majority rule had been established, no matter how long this process might take. President Obote of Uganda had continued to insist that, in the last resort, the United Kingdom should be prepared to intervene with military force. On the other hand the Prime Minister of Malawi, Dr. Banda, had welcomed the proposed Royal Commission; and President Kenyatta of Kenya had indicated that, provided the Royal Commission played a genuinely constructive role and was not regarded as a mere device for gaining time, he would be prepared to try to influence the African Nationalists to co-operate with it in its work.

SECRET
In these circumstances, four courses of action appeared to be open to the Cabinet:

(i) We could accept the suggestion made in Mr. Smith’s latest letter that the proposal to be canvassed by the Royal Commission should be the Rhodesian Government’s own proposal that Rhodesia should proceed to independence on the basis of the 1961 Constitution, with no more than the minimum of formal amendment required to eliminate the last remnants of United Kingdom control. This would be on the understanding that we would accept whatever result emerged from the procedure whereby this proposal would be put to the test of Rhodesian opinion.

(ii) We could proceed as in the first course, while making it clear that, so far from acquiescing in the Rhodesian Government’s proposal, we openly opposed it.

(iii) We could suggest that Rhodesian opinion should be given an opportunity to choose between the Rhodesian Government’s proposal and our own proposal for an independence constitution which would be more liberal in its character and would contain more effective safeguards against retrogressive amendment. There were certain precedents for providing an option of this kind in constitutional referenda, not least the precedent of Rhodesia itself in 1923, when the population were allowed to indicate whether they preferred to unite with South Africa or to remain associated with the United Kingdom.

(iv) We could refuse to make any further concession to the Rhodesian Government and could insist that the only proposal to be submitted to the test of Rhodesian public opinion should be a proposal for the type of constitution which we ourselves favoured. We could indicate that, if this suggestion were rejected, we would no longer support the proposal for a Royal Commission.

The merit of the first and second courses was that they might postpone a unilateral declaration of independence for a few more months. The third and fourth would be more likely to provoke the Rhodesian Government into taking early action of this kind; but they would have the advantage that we should be more clearly seen to be adhering to our five principles.

In discussion it was suggested that a fifth course might lie in submitting the Rhodesian Government’s own proposal to the test of a referendum as distinct from some procedure devised by the Royal Commission. This would certainly be unacceptable to the Rhodesian Government; but it was the one course which it was known that the African Nationalist leaders would accept. If, therefore, our objective was to take Mr. Smith at his word by showing willingness to test the acceptability of the 1961 Constitution without sacrificing our principles and the support of African opinion, this was probably the safest course which we could pursue. On the other hand there would be very great difficulty in ensuring that a referendum would be satisfactorily conducted in a country whose methods were now largely those of a police state. Nor could we
afford to appear to abandon the concept of a Royal Commission so soon after we had actively promoted it ourselves. For these reasons the effective choice appeared to lie between the second and third of the courses suggested by the Prime Minister. In favour of the third it could be urged that, so far as it was possible to predict the reactions of the Rhodesian Government, they would probably reject whatever suggestions we made, since they had almost certainly taken the decision to assume their independence unilaterally and were merely seeking the most favourable occasion to do so. If so, it was essential that we should not appear to have sacrificed our principles merely in order to avoid a unilateral declaration of independence; and we should be better placed to demonstrate this to world opinion if we insisted from the outset that the proposals to be canvassed by the Royal Commission should include our own proposal for a new and more liberal constitution as well as the Rhodesian Government’s proposal for the mere continuance of the 1961 constitution. On the other hand it remained essential to avoid, if possible, a unilateral declaration of independence, having regard to the incalculable damage which it might cause, not least to the economies of the United Kingdom and Zambia, if a state of economic warfare developed between Rhodesia and Zambia and supplies of Zambian copper to the United Kingdom were interrupted. Moreover, there were grounds for questioning whether the economic measures which we had it in mind to take in the event of a unilateral declaration of independence would, in fact, prove to be effective; and every week which passed without such a declaration made it the less likely that the Rhodesian Government could maintain the state of political unity and psychological tension which it presupposed. Finally, it was open to question whether we should be wise to commit ourselves to inviting the Royal Commission to canvass our own proposal, since the constitution which it implied, though far more liberal than the Rhodesian Government’s proposal, would not be likely to be acceptable to those sections of African opinion which would be content with nothing less than African majority rule as a prior condition of independence. For these reasons it might be preferable to adopt the second course, provided that we publicly dissociated ourselves from the Rhodesian Government’s proposal and that this was made clear by the Royal Commission in the course of their canvassing of public opinion in Rhodesia. Admittedly, this course involved the risk that, if the proposal were shown to be acceptable to the people of Rhodesia as a whole—as was not impossible, if the African members of the population boycotted the Royal Commission procedure—we might then be morally bound to recommend to the House of Commons that independence should be granted to Rhodesia on terms which we ourselves should have condemned in advance. On the other hand this risk should be negligible in practice, particularly if the Africans realised that we ourselves rejected the proposal which they would be being invited to endorse. Moreover, the findings of the Royal Commission should not be mandatory; and, although they would obviously carry great weight, we could not be expected to commit ourselves in advance to implement them by legislation, regardless of
their nature. The Rhodesian Government would themselves confront the same dilemma, if their proposal were shown to be unacceptable to the people of Rhodesia as a whole and we required them in advance to accept the consequences.

The Prime Minister, summing up the discussion, said that the balance of opinion in the Cabinet appeared to be in favour of the second course, although we should not count on its proving acceptable to the Rhodesian Government. In reply to the latest letter from Mr. Smith, therefore, we should agree that the Rhodesian Government's own proposal should now be put to the test of acceptability to the people of Rhodesia as a whole, provided that we publicly dissociated ourselves from it and insisted that this fact should be made clear by the Royal Commission; that the Royal Commission, before canvassing it with Rhodesian opinion, should submit, for approval by both Governments, a unanimous report on the methods by which they proposed to conduct this canvass; that, if their suggestions for this purpose were approved, they should themselves supervise whatever procedures were adopted in order to implement their findings; that we should refuse to commit ourselves in advance to accept without qualification the result of the canvass; and that, if the Rhodesian Government's proposal was shown to be unacceptable to the people of Rhodesia as a whole, we should be free either to revive our original conception of a Royal Commission as a means of devising a new constitution for Rhodesia or to remit the issue to a constitutional conference, of course which would have the unanimous support of African opinion.

At the same time, we should inform the Rhodesian Government that, if they were unwilling to accept these suggestions, we would be prepared to agree that their proposal should be submitted to the test of a referendum of the whole of the adult population of Rhodesia, provided that it was conducted on the basis of uninhibited political activity by all sections of the community, was subject to adequate impartial supervision and incorporated stringent safeguards against intimidation.

He would propose to make an announcement to this effect in the House of Commons on the following day, shortly after our reply to Mr. Smith's letter had been delivered in Salisbury. It would be helpful if he could announce at the same time the name of the United Kingdom representative on the Royal Commission.

The Cabinet—

Agreed that the reply to the latest letter from the Prime Minister of Rhodesia, Mr. Ian Smith, should be on the lines indicated in the Prime Minister's summing up of their discussion.

2. The Chancellor of the Exchequer said that a difficult situation had arisen at the shipbuilding yard of the Fairfields Engineering and Shipping Company. This was a modernised yard on the Clyde which employed some 3,500 men and had got into financial difficulties. The Receiver had informed him that money could not be
obtained to continue the day-to-day operations of the yard after the present week and it would have then have to close down unless Government assistance were forthcoming. The Bank of Scotland was the main creditor, with a first charge on loans amounting to £4 million which were unlikely to be settled in full on liquidation. Although the men employed would probably find other jobs on the Clyde if the yard were closed down, its closure would be a profound psychological shock for the shipbuilding industry. Moreover, the Report of the Geddes Committee of Enquiry on Shipbuilding was due in January and might make proposals for rationalising the shipbuilding yards on the Clyde as well as in other areas. Mr. Geddes had informed him that his Committee would not feel able to present an interim report relating to the yard but might feel able to refer specifically to it in his eventual report. There was, therefore, a case for considering whether the Government should take steps to see that the yard was able to carry on until the Geddes Report could be considered. This could be done by asking the Bank of England to advance money, with a guarantee from the Government under the Borrowing (Control and Guarantee) Act of 1946. But to keep the yard going for several months might require up to £1 million and it was probable that little, if any of this money would be recovered. Moreover a permanent reconstruction of the company’s finances would probably require £3–£4 million of additional equity capital. The difficulties of the yard sprang from bad management and from accepting contracts for ships which could only be fulfilled at a loss. He had not yet formed a view on whether the Government should keep the firm going until the Geddes Report was available but it would be desirable for a group of Ministers to meet under his chairmanship to consider this. The group might consist of the First Secretary of State, the Secretary of State for Scotland, the President of the Board of Trade, the Minister of Labour and the Minister of Technology.

In discussion there was general agreement that Ministers should consider whether Government assistance, either through the Bank of England, or possibly through the Board of Trade Advisory Committee, should be given to the firm for a short period until the future of the shipbuilding industry could be seen more clearly. When the Geddes Report was received it might be desirable to consider whether the yard should be taken over by the Government but it would be premature to do so now.

The Cabinet—

Invited the Chancellor of the Exchequer to convene a meeting with the First Secretary of State, the Secretary of State for Scotland, the President of the Board of Trade, the Minister of Labour and the Minister of Technology to consider whether short-term Government assistance should be given to keep the Fairfields yard in operation for the time being.

Cabinet Office, S. W. 1,
2nd November, 1965,
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 4th November, 1965, at 10.30 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Herbert Bowden, M.P., Lord President of the Council (Items 1-5)
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government (Items 1-5)
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development

SECRET

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The following were also present:

The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Item 4)
Mr. GEORGE THOMSON, M.P., Minister of State for Foreign Affairs (items 1–4)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Postmaster-General (Item 6)
The Right Hon. Sir ELWYN JONES, Q.C., M.P., Attorney-General (items 3–6)
Mr. MAURICE FOLEY, M.P., Joint Parliamentary Under-Secretary of State, Department of Economic Affairs (item 4)

Secretariat:

SIR BURKE TREND
Mr. P. ROGERS
Miss J. J. NUNN
Mr. J. H. LOCKE

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

In the light of developments in the Rhodesian situation it might be necessary to postpone the Prorogation of Parliament from Friday, 5th November, to Monday, 8th November, in order that there should be only the minimum of interval between the Prorogation and the Opening of the new Session on Tuesday, 9th November.

2. The Prime Minister said that he had been concerned to observe that Parliamentary Private Secretaries were not always content to observe the necessary discretion in situations in which strong feelings were engaged and emotions tended to run high. This had been illustrated during the recent period of tension in relation to the Rhodesian situation; and, although no harm had resulted, it would be unfortunate if a precedent were created in this context which, if it were allowed to become established, could have embarrassing results on some future occasion. He therefore proposed to invite all Ministers to draw the attention of their Parliamentary Private Secretaries to the paragraphs in the Note on Questions of Procedure for Ministers (C (64) 1) which provided them with guidance on the manner in which they should conduct themselves; and he hoped that Ministers would impress upon their Parliamentary Private Secretaries that, before they intervened publicly in any matter affecting Government business, they should consult not only their own Ministers but also the Chief Whip.

3. The Commonwealth Secretary said that it appeared that the Prime Minister of Rhodesia, Mr. Ian Smith, was committed to the concept of appointing a Royal Commission to ascertain the acceptability of independence, on the basis of the 1961 Constitution, to the people of Rhodesia as a whole. But he faced powerful opposition within his own party, some of whose members clearly wished to make a unilateral declaration of independence (u.d.i.) immediately. Indeed, there was even an indication that one section contemplated the establishment of Rhodesia as a Republic. We could not be certain that Mr. Smith would be able to withstand the pressures from the extremists though there was reason to believe that the postponement of a u.d.i. as a result of the Prime Minister’s visit had led to a widespread feeling of relief among the general body of Europeans in Rhodesia and this might provide sufficient public support for Mr. Smith to enable him to do so. It would not in any event be open to us to make any further concessions in order to preserve Mr. Smith’s position. There were also signs that the economy of Rhodesia was already being adversely affected by the prospect of a u.d.i. The situation was still one of great delicacy.

The Cabinet—
Took note of the Commonwealth Secretary’s statement.
4. The Cabinet considered a memorandum by the Home Secretary (C (65) 143) recommending the appointment of a committee to review the law on immigration.

The Home Secretary said that, in view of the omission from The Queen's Speech on the Opening of Parliament of a reference to a Bill on Commonwealth Immigration and of the need to renew the existing powers in relation to both Commonwealth and alien immigrants in the Expiring Laws (Continuance) Bill, it was desirable to announce in the Debate on the Address that it had been decided to appoint a committee to review the law on immigration. The Home Affairs Committee had concluded that it would be inopportune to initiate a comprehensive review of policy and of the general system of control, preferring a committee with terms of reference limited to the question of putting the existing temporary legislation on a permanent footing and conferring rights of appeal on immigrants refused entry or subsequently required to leave the country. They considered that neither the general system of control nor the problem of the short-term visitor should be within the purview of the inquiry.

It was proposed that the inquiry should be undertaken by a departmental committee of five or six independent persons, of whom two or more should be legally qualified. The membership would be discussed further with the Ministers principally concerned. A group of Ministers under the chairmanship of the Chancellor of the Duchy of Lancaster (MISC. 86/1st Meeting) who had considered the terms of reference had recommended that they should be: "To review the law affecting aliens and Commonwealth citizens who wished to enter and settle in this country (including the remedies available to those refused admission to, or subsequently required to leave, the country) and to make recommendations." On further consideration, however, it appeared that to require the committee to review the law might open the way to consideration of the policy on which the law was based, and it might be preferable to limit the terms of reference to the operation of the power of deportation and the provision of rights of appeal against it, although this might not entirely meet criticism on the deferment of the proposed Commonwealth Immigrants Bill.

In discussion the following principal points were made:

(a) The appointment of a committee to examine the powers which were criticised as illiberal should enable the Government to demonstrate that they intended to introduce permanent legislation as soon as possible and so to secure the extension of the existing temporary provisions. On the other hand, the principal criticism of the existing law was directed, not against the powers of deportation, but against the power to refuse entry to persons who wished to visit this country for a short period without any intention of settling here, and the exclusion of these powers from the purview of the committee was liable to be strongly criticised.

(b) The question of the medical examination of immigrants seeking entry to this country should not be within the committee's purview.
(c) It was important that overseas opinion should regard the committee as wholly independent and that it should accordingly be presented as a committee appointed by the Government, and not closely associated with the Home Office. The Secretary of State for Commonwealth Relations and the Colonial Secretary should be consulted on its membership.

(d) Members of the committee should include persons of known liberal views, and the appointment of a leading trade unionist should be considered. This would not necessarily involve appointing an industrialist also.

_The Prime Minister_, summing up the discussion, said that the Cabinet were agreed that an independent committee should be appointed with narrow terms of reference to examine the existing powers of deportation and the provision of rights of appeal in respect of both aliens and Commonwealth citizens. The terms of reference and composition of the committee should be considered in the light of their discussion as a matter of urgency by the group of Ministers under the chairmanship of the Chancellor of the Duchy of Lancaster, with the addition of the Attorney General, so that he might announce the decision to appoint the committee during the Debate on the Address. If agreement could not be reached on the terms of reference, the matter should be brought back to the Cabinet on 9th November, and a decision should be taken in the light of the suggestions put forward by the group of Ministers on whether the membership of the committee should be announced at that stage.

_The Cabinet—_

(1) Agreed that an independent committee should be appointed with narrow terms of reference on the lines proposed in their discussion.

(2) Invited the Chancellor of the Duchy of Lancaster to arrange for the group of Ministers under his chairmanship, with the addition of the Attorney-General, to give further consideration in the light of their discussion to the terms of reference and membership of the committee.

5. The Cabinet considered a memorandum by the First Secretary of State (C (65) 141) about the proposed legislation on prices and incomes policy.

_The First Secretary of State_ said that work had been proceeding on the details of the legislation which had been approved in principle by the Cabinet on 1st September. The outline proposals for inclusion in the Bill had been approved by the Ministerial Committee on Economic Development. But the Cabinet should be fully alive to the difficulties which would inevitably arise, particularly as regards the creation of new offences affecting trade unions and their members. The National Board for Prices and Incomes (NBPI) would be placed...
on a statutory basis and would be given power to require the production of documents and to require witnesses to give evidence. It would be made an offence for any person to refuse to do so; but individual trade unions might so refuse. In addition the Bill would provide reserve powers, which would be brought into operation by Order in Council, to require advance notification of price increases and pay claims and to impose a standstill on the introduction of price or wage increases. In particular, it would then become an offence for an employer to pay higher wages while the NBPI was considering the terms of a settlement. It would therefore be necessary to deal with the position which would arise if a trade union or its members tried by industrial action to coerce employers to act in breach of the standstill. Although these problems would not arise in practice unless the reserve powers had to be put into force because of the inadequacy of the voluntary arrangements, it would be necessary to include appropriate provisions in the Bill and to defend them in Parliament. The Ministerial Committee on Economic Development had considered whether the obligations could be placed on the employer alone and not on the trade unions and their members. But they had been forced to the conclusion that this would appear to be an indefensible form of discrimination. The Attorney-General had subsequently suggested provisions which would to some extent mitigate the impact of the Bill in relation to trade unions; but the fundamental problem was inescapable. It might be argued that these provisions would derogate from the legislation which had for long protected trade unions against liabilities which applied to other bodies. There would undoubtedly be criticism on this account; but there appeared to be no way of evading this problem.

The Attorney-General said that in order to make the legislation effective it was essential to make it an offence for an employer to act in breach of a standstill by paying higher wages before the NBPI had reported. As the law stood, this would have the automatic consequence that any industrial action taken by trade unions or individual workers to compel an employer to increase pay or to improve conditions in breach of the standstill would be illegal and would lay the union or workers open to actions for unlimited civil liability or to a charge of criminal conspiracy, both of which could be initiated by means of private prosecutions. He had therefore suggested that it should be made an offence under the Bill for trade unions or their members to seek to compel an employer to act in breach of a standstill; but that the penalties for this offence should be laid down in the Bill; and that the Bill should also provide that no action would lie for any other civil or criminal liabilities in respect of such an act. In this way trade unions and workers would not be at risk of actions for criminal conspiracy or civil proceedings for damages and would be liable, if found guilty, only for a fine. Moreover, the consent of the Attorney-General should be required for all prosecutions under the Bill; and this consent would normally be granted only in cases of significant importance. It was not possible to go further than this. The precise penalties would need further consideration.
In discussion the view was strongly expressed that it would be unwise to proceed with the legislation in the light of its probable effect on the normal activities and procedures of trade unions and the impossibility of operating it effectively. There were many industries in which national wage settlements were of relatively little importance; and it was impossible to operate the proposed system in respect of local settlements without bringing to a standstill the normal operations of major trade unions. It appeared that no provision for the exemption of local settlements affecting small numbers of workers was included in the Bill. But it would be impossible to secure the notification of the mass of local claims which arose every week. On the other hand if an exemption clause were introduced it would encourage the fragmentation of wage claims to avoid the provisions of the Bill. In view of these serious practical difficulties in the way of operating the arrangements properly, the clear risk that certain trade unions might refuse to observe the provisions and the generally retrogressive nature of the legislation in respect of trade unions, it would be wrong to proceed with the Bill.

On the other hand there was general agreement that the Government were committed in principle to introduce legislation on the lines indicated in C (65) 141 and that the inevitable difficulties must therefore be mitigated as far as possible. As regards the problems raised by local claims and settlements the Bill would include a power for the First Secretary of State to prescribe by Order the classes of claims and settlements (as well as the classes of goods and services) to which the Bill should apply. It was intended to give further consideration, in consultation with representatives of employers and trade unions, to the manner in which the provisions could be effectively administered by suitable limitations on the types of wage claims and price increases which were to be notified; and these administrative arrangements could be modified in the light of experience. It would be an error to include specific exemptions in the Bill itself. The Trades Union Congress (TUC) had been opposed to the inclusion of a formal exemption; and there was considerable evidence that many trade unions would co-operate fully in working the system and, indeed, were anxious to strengthen their authority over local questions. It was true that many local claims were not necessarily notified to trade union headquarters. But the employer would be under an obligation to notify local claims when he received them; and it was expected that notification would normally be made by the employer and not by the trade unions. Moreover, there was nothing to prevent the continuation of discussions and negotiations during the standstill period, provided that there was no question of giving effect to a settlement until the end of the period. Although there would undoubtedly be difficulties, it would be wrong to assume that the system was completely unworkable.

As regards the creation of offences and the imposition of penalties in relation to trade unions, considerable concern was expressed about
the effect even of the modified proposals suggested by the Attorney-General. Some trade unions or individual members might deliberately seek to challenge the law in order to enlist popular sympathy and support. On the other hand, the Opposition would undoubtedly criticise the limitations suggested by the Attorney-General in respect of the actions which might be brought in relation to industrial action designed to force employers to pay higher wages during the standstill period. It was suggested that the offences might be restricted to those committed by trade unions and not extend to those committed by individual union members; but it was generally agreed that this would merely destroy the authority of trade unions in respect of local action by their members. It would be desirable, however, to draft the relevant clauses in the Bill with a view to minimising the difficulties which would be created in relation to trade unions.

As regards prices, difficulties would arise in respect of the existing statutory arrangements for the approval of the prices of certain commodities, including steel, coal, gas and electricity. The relation between these statutory arrangements and the new proposals in the Bill needed further consideration.

The Prime Minister, summing up the discussion, said that the general view of the Cabinet was that legislation on the lines proposed in C (65) 141 should be introduced in the new Session of Parliament. The First Secretary of State should now discuss further with the Lord Chancellor, the Attorney-General and the Lord Advocate the issues raised during the discussion, particularly the various possible ways of mitigating the inevitable consequences of the Bill as regards offences and penalties in relation to the trade unions. The First Secretary of State should then undertake informal discussions with representatives of the TUC and the Confederation of British Industries (CBI), which would include consideration of the provisions for enforcement. Thereafter the Ministerial Committee on Economic Development and, if necessary, the Cabinet should be given a further opportunity to discuss the precise provisions of the legislation.

The Cabinet—

(1) Approved in principle the proposed legislation on prices and incomes summarised in Annex A to C (65) 141, subject to further consideration of its provisions in the light of the points made in their discussion.

(2) Invited the First Secretary of State, together with the Lord Chancellor, the Attorney-General and the Lord Advocate to examine in particular the proposals in relation to enforcement and penalties.

(3) Invited the First Secretary of State to arrange for the necessary legislation to be drafted and to discuss it informally with the Trades Union Congress and the Confederation of British Industries.

(4) Invited the First Secretary of State to bring before the Ministerial Committee on Economic Development the provisions of the Bill as they emerged after the further discussions contemplated in Conclusions (2) and (3) above.
6. The Postmaster-General said that the Exchange Telegraph Company operated a news-gathering service in a number of fields, in some of which it worked jointly with the Press Association. While its operations as a whole were profitable it had decided to discontinue its Parliamentary and general news service because they were running at a loss. This would result in the Press Association acquiring an effective monopoly in home news agency work and would make about 70 people redundant, of whom half were journalists. Intervention by the Government could only be justified on the ground that the public interest was involved. This could not be sustained on the ground of redundancy and the Board of Trade took the view that this was not an appropriate case for reference to the Monopolies Commission. The Post Office was concerned with the provision and maintenance of facilities to permit good communications and in 1934 had signed a Licence and Agreement with the Exchange Telegraph Company to regulate relations with them. It appeared that this agreement gave the Post Office power to acquire that part of the Company which was covered by the licence. There were various ways in which the services in the field of Parliamentary and general news hitherto operated by the Company might be maintained, but it was too early yet to determine the appropriate solution. In these circumstances the best course would be to enter into discussions with the Company to ascertain the position more clearly and to consider whether and if so how it might be possible to maintain the services in question.

The President of the Board of Trade confirmed that this would not in his view be a proper case for reference to the Monopolies Commission, since only in the most limited sense would a monopoly result from the action contemplated by the Company. Parliamentary news, for example, was provided not only by the Press Association, but by a large number of newspapers. It would therefore be premature to enter into discussions with the Company on the possibility of maintaining their services in these fields and further time was required to consider the position.

In discussion the Cabinet were informed of a report that the Universal News Service had expressed its intention of expanding its service to cover those which were being abandoned by the Exchange Telegraph Company. It was the general view that if this report were confirmed there would be no justification for Government intervention. In such circumstances the best course might be for the President of the Board of Trade merely to make further enquiries into the position and to inform Parliament in answer to a Question that afternoon in the House of Commons that he was doing so.

The Cabinet—

Invited the President of the Board of Trade, in consultation with the Postmaster-General—

(i) to enquire into the position which would obtain in the running of Parliamentary and general news services
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as a result of the withdrawal of the Exchange Telegraph Company from these fields and of the indication that the Universal News Service might correspondingly expand their services;

(ii) to consider in the light of these enquiries what, if any, Government action was required.

Cabinet Office, S.W.1,
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58th Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet held in the
Prime Minister's Room, House of Commons, S.W.1, on Tuesday.
9th November, 1965, at 1 p.m.

Present:
The Right Hon. HAROLD WILSON, M.P, Prime Minister
The Right Hon. GEORGE BROWN, M.P, First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDNER, Lord Chancellor
The Right Hon. MICHAEL STEWART, M.P, Secretary of State for Foreign Affairs
The Right Hon. SIR FRANK SOSKICE, Q.C, M.P, Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P, Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P, Secretary of State for the Colonies
The Right Hon. THE EARL OF LONFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P, Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P, Minister of Labour
The Right Hon. FRED PEART, M.P, Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P, Minister of Transport
The Right Hon. HERBERT BOWDEN, M.P, Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P, Chancellor of the Exchequer
The Right Hon. DENIS HEALY, M.P, Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P, Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P, Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P, President of the Board of Trade
The Right Hon. ANTHONY CROSLAND, M.P, Secretary of State for Education and Science
The Right Hon. R. J. GUNTER, M.P, Attorney-General
The Right Hon. EDWARD SHORT, M.P, Parliamentary Secretary, Treasury

The following were also present:
The Right Hon. SIR ELWYN JONES, Q.C, M.P, Attorney-General

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. D. S. LASKEY

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Subject
RHODESIA
The Prime Minister said that the situation in Rhodesia was becoming increasingly critical and there were signs that a unilateral declaration of independence (u.d.i.) was imminent and might even be made within 24 hours. The Chief Justice of Rhodesia, Sir Hugh Beadle, who had just arrived in the United Kingdom in response to the suggestion in his most recent message to the Prime Minister of Rhodesia, Mr. Ian Smith, reported that the Rhodesian Cabinet seemed to be divided and that, while Mr. Smith was probably still in favour of the proposal for a Royal Commission, he was under strong pressure from the more extreme of his colleagues to take independence by unilateral action. Mr. Smith had asked for a private assurance that, if the Royal Commission reported that the grant of independence on the basis of the 1961 Constitution was acceptable to the people of Rhodesia as a whole, the United Kingdom Government would recommend Parliament to accept this. It might be argued that, formally, this would not prejudice the ultimate sovereignty of Parliament; but in practice the authority of the Government would be engaged, the issue would be one of confidence and the decision could not be left to a free vote. Although it was unlikely that the Commission would submit a unanimous report in favour of independence on the basis of the 1961 Constitution it would not be right that either the Government or Parliament should be bound in advance to accept it. Moreover, developments in Rhodesia in the interval before the Commission reported, such as repressive measures imposed under the State of Emergency, might well make it impossible for the Government to recommend the grant of independence even in the unlikely event of a unanimous report by the Commission in this sense. On the other hand an assurance on the lines requested by Mr. Smith, which could not be given in secret but would have to be public, might now be the only way of averting a u.d.i.; and, although the Opposition supported the principle that Parliament's rights could not be prejudiced, they might well seek to divide public opinion on the application of sanctions in the event of a u.d.i. Admittedly, the Government could now demonstrate that they had made every effort to reach a negotiated settlement; and public opinion might be expected to condemn illegal action on the part of the Rhodesian Government. Nevertheless, there might be developments, such as action against the white population in other African countries, which could influence sentiment in the United Kingdom once more in favour of the Rhodesian Government.

In these circumstances it would be advisable that, in his statement in Parliament that afternoon during the Debate on the Address, he should say no more than that we did not wish to break off negotiations and were discussing with Sir Hugh Beadle the way in which the Royal Commission might operate, including the question of an interim report on procedure and the effect of the State of Emergency in Rhodesia. He would also repeat his earlier suggestion that he and Mr. Smith might meet in Malta.

In discussion there was general agreement with this proposal. To commit the Government or Parliament to support a recommendation...
by the Commission in favour of independence on the basis of the 1961 Constitution might be regarded as a failure to honour the five principles which the Government had declared to be essential for the grant of independence. Moreover, Mr. Smith, if he chose to exert his authority, could almost certainly obtain support in Rhodesia for any solution he advocated; and there was no reason why we should sacrifice our principles in order to accommodate his political convenience. On the other hand, there was no possibility that the Commission would in fact reach a unanimous conclusion that the people of Rhodesia as a whole were in favour of independence on the basis of the 1961 Constitution, and a refusal by the Government to undertake to recommend acceptance of a unanimous report by the Commission might therefore be criticised if it resulted in a u.d.i. The possibility of giving the proposed assurance in return for an adequate counter assurance might therefore deserve further consideration, on the understanding that the position of Parliament must not be prejudiced and that any assurance which the United Kingdom Government might give should have the approval of Parliament.

_The Prime Minister_, summing up the discussion, said that he would continue his discussions with Sir Hugh Beadle and would consult the Cabinet again before any decision was taken about a further message to the Rhodesian Government.

The Cabinet—

Took note, with approval, of the Prime Minister's statement.

_Cabinet Office, S.W.1,
9th November, 1965._
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1., on Wednesday, 10th November, 1965,
at 10 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister

The Right Hon. George Brown, M.P.,
First Secretary of State and Secretary
of State for Economic Affairs

The Right Hon. Lord Gardiner,
Lord Chancellor

The Right Hon. Michael Stewart, M.P.,
Secretary of State for Foreign Affairs

The Right Hon. Arthur Bottomley,
M.P., Secretary of State for Common-wealth Relations

The Right Hon. James Griffiths, M.P.,
Secretary of State for Wales

The Right Hon. Douglas Jay, M.P.,
President of the Board of Trade

The Right Hon. Anthony Crosland,
M.P., Secretary of State for Education
and Science

The Right Hon. Douglas Houghton,
M.P., Chancellor of the Duchy of
Lancaster

The Right Hon. Frank Cousins, M.P.,
Minister of Technology

The Right Hon. Frederick Lee, M.P.,
Minister of Power

The Right Hon. Herbert Bowden, M.P.,
Lord President of the Council

The Right Hon. James Callaghan, M.P.,
Chancellor of the Exchequer

The Right Hon. Sir Frank Soskice, Q.C.,
M.P., Secretary of State for the Home
Department

The Right Hon. William Ross, M.P.,
Secretary of State for Scotland

The Right Hon. Anthony Greenwood,
M.P., Secretary of State for the Colonies

The Right Hon. The Earl of
Longford, Lord Privy Seal

The Right Hon. Richard Crossman,
M.P., Minister of Housing and Local
Government

The Right Hon. R. J. Gunter, M.P.,
Minister of Labour

The Right Hon. Fred Peart, M.P.,
Minister of Agriculture, Fisheries and
Food

The Right Hon. Tom Fraser, M.P.,
Minister of Transport

The Right Hon. Barbara Castle, M.P.,
Minister of Overseas Development

The following were also present:

The Right Hon. Frederick Mulley,
M.P., Deputy Secretary of State for
Defence and Minister of Defence for
the Army

The Right Hon. Sir Elwyn Jones, Q.C.,
M.P., Attorney-General

The Right Hon. Edward Short, M.P.,
Parliamentary Secretary, Treasury
SECRET

Subject
RHODESIA
Rhodesia

(Previous Reference: CC (65) 58th Conclusions)

The Prime Minister said that he had now had further discussions with the Chief Justice of Rhodesia, Sir Hugh Beadle, about the critical developments in the Rhodesian situation. It appeared that the Rhodesian Cabinet were still divided on the issue of making an immediate unilateral declaration of independence (u.d.i.). But the Prime Minister of Rhodesia, Mr. Ian Smith, seemed to remain of the private opinion that the proposed Royal Commission should be appointed, although his public statements were necessarily couched in different terms.

Sir Hugh Beadle had stated that, as far as he was concerned as Chairman designate of the Royal Commission, it would not be acceptable that the Commission should be asked to carry out its task unless the current state of emergency in Rhodesia were at least sufficiently mitigated in its operation to enable political opinion to be freely expressed, since otherwise the Commission would be unable adequately to ascertain the views of the people of Rhodesia as a whole. Moreover, his present view was that the Commission would be unlikely to reach the conclusion that independence on the basis of the 1961 Constitution was acceptable to the people of Rhodesia as a whole, having regard to the present extent of opposition to this proposal among the African population of Rhodesia.

In these circumstances, the Cabinet would wish to consider how far it might be possible to accept the suggestion of the Rhodesian Government that, if the Royal Commission were to report unanimously that independence on the basis of the 1961 Constitution was in fact shown to be acceptable to the people of Rhodesia as a whole, the United Kingdom Government should undertake to commend this report to Parliament. There were some grounds for believing that the Opposition would be prepared to endorse such an undertaking; and, while this would reinforce the Government if they were to decide in favour of this course, it also suggested that, if the Government refused to give such an undertaking and a u.d.i. followed as a result, the Government would be open to criticism for having failed to take the one step which might have averted it. In those circumstances there might be a sharp division of political opinion in this country, which would gravely embarrass the Government in their subsequent measures to deal with a u.d.i.

It had been suggested in the Cabinet's previous discussion that we might ascertain from Mr. Smith whether, if the United Kingdom Government gave an undertaking to commend to Parliament a unanimous report by the Royal Commission to the effect that the 1961 Constitution was acceptable to the people of Rhodesia as a whole as a basis for independence, the Rhodesian Government would give a comparable undertaking that they would accept a contrary finding by the Royal Commission. It was for consideration how far such an undertaking on our part might be regarded as prejudicing the sovereign right of Parliament. Moreover, in the admittedly unlikely event of a unanimous report in favour of the
contention of the Rhodesian Government, it would be very embarrassing for the United Kingdom Government to have to commend the report to Parliament if in the meantime the Rhodesian Government had adopted repressive policies repugnant to public opinion in this country. On the other hand, it might be worth accepting these risks if the Rhodesian Government were prepared to accept the greater risk that the Commission would find against them. At least the possibility might be further explored on a hypothetical basis and on the strength of a clear understanding that, if we reached agreement with the Rhodesian Government in this sense, they would raise no further objections to the Commission beginning its task forthwith.

As regards the question whether the two Governments should require the Commission to submit an interim report on the procedures which they intended to adopt in order to ascertain the views of the people of Rhodesia as a whole, the discussions with Sir Hugh Beadle suggested that this question could probably be left to the discretion of the majority of the Commission.

In discussion it was suggested that in view of the strength of the argument in favour of our agreeing to commend to Parliament a unanimous report by the Royal Commission and in view of the apparent imminence of a u.d.i., the wiser course might be to avoid the delay that would ensue from any attempt to ascertain whether the Rhodesian Government would give a corresponding undertaking. It was the general view, however, that we should not offer unilaterally to accept a unanimous report by the Royal Commission. Moreover, even if we were prepared to take this course, it might merely result in the strengthening of extremist opinion in Rhodesia and encourage the Rhodesian Government to demand an even higher price for their agreement that the Royal Commission should be allowed to start its work.

In further discussion it was argued that a conditional undertaking by the United Kingdom Government to accept a unanimous report in favour of independence on the basis of the 1961 Constitution, even if it incorporated, as was essential, a reservation of the sovereign rights of Parliament, would be liable to be interpreted as implying that we had abandoned the first four of the five principles on which we had hitherto insisted as a condition of granting independent to Rhodesia. This would be regarded as a breach of faith and would be strongly opposed both by a considerable section of public opinion in the United Kingdom and by a large majority at the United Nations. Moreover, the mere avoidance of a u.d.i. was not in itself a sufficient aim of policy; and, if we were content to do no more than maintain the constitutional status quo, we might so seriously alienate African opinion as to give rise to serious problems of public security in various parts of Africa. At the very least, therefore, the Rhodesian Government should be asked to give a commitment that, if the Royal Commission submitted an unfavourable report from the Rhodesian point of view, they would agree that a Royal Commission should then be asked to devise an acceptable constitution which would be based on the five principles.
enunciated in our statement of 9th October, 1965. Moreover, the Royal Commission should be required to make an interim report on the method they proposed for ascertaining public opinion in Rhodesia; and this should be submitted to Parliament before it was accepted by the Government.

On the other hand, there was much support for the view that an undertaking on our part in the terms proposed was virtually inherent in the decision already taken by the Government to agree to appoint a Royal Commission as a method of ascertaining the acceptability of the 1961 Constitution as a basis for independence. Moreover, there was considerable political force in the argument that, if the Government failed to give the assurance that they would commend to Parliament a unanimous report by the Commission when there were grounds for believing that such an undertaking might prevent a u.d.i., both Parliamentary and public opinion in the United Kingdom would be strongly critical of the Government if a u.d.i. thereafter took place. It must be accepted that, if such an assurance were given and the Royal Commission subsequently reported in favour of independence on the basis of the 1961 Constitution, the Government would be committed to taking the necessary legislative action, save in the event of such a break-down in public order in Rhodesia as to present a totally new situation; but there were such clear indications of substantial opposition in Rhodesia to independence on the basis of the 1961 Constitution that it seemed inconceivable that the Royal Commission could report that this was acceptable to the people of Rhodesia as a whole. We might therefore reasonably expect that, by giving an undertaking to accept the report, we should not only secure a further delay of some months, which would make it extremely unlikely that the Rhodesian Government would then be in a position to declare a u.d.i., but also fundamentally modify the political climate in Rhodesia by demonstrating the falsity of the argument in favour of independence on the basis of the 1961 Constitution. It would then be possible to pursue the question of constitutional advance in more advantageous circumstances.

The Prime Minister, summing up the discussion, said that on balance the Cabinet agreed that the Rhodesian Government should now be asked whether, if the United Kingdom Government undertook to commend to Parliament—whose sovereign rights must be preserved—a unanimous report by the Royal Commission to the effect that the 1961 Constitution was acceptable to the people of Rhodesia as a whole as a basis for independence, the Rhodesian Government would give a corresponding undertaking that, if the Royal Commission submitted a unanimous report to the effect that the 1961 Constitution was not so acceptable, they would abandon their claim in this respect and would agree that a Royal Commission should then proceed to devise a new Constitution for Rhodesia which would be based on the five principles enunciated in the United Kingdom Government’s statement of the 9th October and would be acceptable to the people of Rhodesia as a whole as a basis for
independence. A question of this nature should serve to test the *bona fides* of the Rhodesian Government, without finally committing the United Kingdom Cabinet, who would have a further opportunity to consider their attitude in the light of the Rhodesian reply. The Rhodesian Government should also be asked to assure us that, if we gave such an undertaking, they for their part would not seek to attach any further conditions to the establishment of the Royal Commission but would agree that it should embark on its task forthwith. As regards an interim report by the Commission, it would be undesirable, on balance, to press our view beyond the suggestion made by Sir Hugh Beadle, namely that the matter should be left to the majority discretion of the Commission.

The Cabinet—

Took note that the Prime Minister would send a further message to the Prime Minister of Rhodesia in the sense indicated in his summing up of their discussion.

*Cabinet Office, S.W.1.*

*11th November, 1965.*
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 11th November, 1965,
at 10 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister (Items 1-2)
The Right Hon. George Brown, M.P.,
First Secretary of State and Secretary
of State for Economic Affairs (in the
Chair for Item 3)
The Right Hon. Lord Gardiner,
Lord Chancellor
The Right Hon. Michael Stewart, M.P.,
Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, Q.C.,
M.P., Secretary of State for the Home
Department
The Right Hon. William Ross, M.P.,
Secretary of State for Scotland
The Right Hon. Douglas Jay, M.P.,
President of the Board of Trade
The Right Hon. Anthony Crosland,
M.P., Secretary of State for Education
and Science
The Right Hon. R. J. Gunter, M.P.,
Minister of Labour
The Right Hon. Fred Peart, M.P.,
Minister of Agriculture, Fisheries and
Food
The Right Hon. Tom Fraser, M.P.,
Minister of Transport

The Right Hon. Herbert Bowden, M.P.,
Lord President of the Council
The Right Hon. James Callaghan, M.P.,
Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P.,
Secretary of State for Defence
The Right Hon. Arthur Bottomley,
M.P., Secretary of State for Common-
wealth Relations
The Right Hon. James Grifiths, M.P.,
Secretary of State for Wales
The Right Hon. The Earl of Longford,
Lord Privy Seal
The Right Hon. Richard Crossman,
M.P., Minister of Housing and Local
Government (Items 2 and 3)
The Right Hon. Douglas Houghton,
M.P., Chancellor of the Duchy of
Lancaster
The Right Hon. Frank Cousins, M.P.,
Minister of Technology

The Right Hon. Frederick Lee, M.P.,
Minister of Power
The Right Hon. Barbara Castle, M.P.,
Minister of Overseas Development

The following were also present:
The Right Hon. Kenneth Robinson,
M.P., Minister of Health (Item 3)
The Right Hon. John Diamond, M.P.,
Chief Secretary, Treasury (Item 3)
The Right Hon. Edward Short, M.P.,
Parliamentary Secretary, Treasury

The Right Hon. Margaret Herbison,
M.P., Minister of Pensions and
National Insurance (Item 3)
The Right Hon. Sir Elwyn Jones, Q.C.,
M.P., Attorney-General (Item 1)

Secretariat:

Sir Burke Trend
Mr. D. S. Laskey
Mr. J. H. Locke
Mr. L. Errington

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1. The Prime Minister said that a message had been sent to Mr. Smith, the Prime Minister of Rhodesia, on the lines agreed by the Cabinet on the previous day. He had also spoken to Mr. Smith on the telephone earlier that morning and had suggested that the outstanding points could now be resolved and that a senior Minister might go at once to Salisbury to sign an agreement setting up the Royal Commission. Mr. Smith had raised no new points but had nevertheless maintained that the positions of the two Governments were irreconcilable. He had admitted, however, that the Prime Minister had done everything possible to promote agreement and that, if Rhodesia now declared her independence, no responsibility would rest on the United Kingdom Government. It had been announced that Mr. Smith would broadcast at 11.15 a.m.; and it seemed almost certain that he would then make an illegal declaration of independence (i.d.i.)—a term which was preferable to a unilateral declaration of independence and should henceforward be adopted to describe an act of this kind.

He proposed to make a statement in the House of Commons that afternoon and, in the event of an i.d.i., would broadcast to the country in the evening. It would also be necessary to publish as soon as possible after an i.d.i. a White Paper containing the correspondence and records relating to the discussions with the Rhodesian Government since September 1964.

The Cabinet—

(1) Took note, with approval, of the Prime Minister’s statement.

The Cabinet considered a memorandum by the Attorney General (C (65) 149) on the question whether Orders in Council under the Enabling Bill should be subject to the Negative or to the Affirmative Resolution procedure.

The Prime Minister said that the Government should be seen to be taking the necessary measures to deal with an i.d.i., including the enactment of the Enabling Bill, as quickly as possible. There did not appear, however, to be any measures which would have to be taken under the Bill before the beginning of the following week. In particular, the dismissal of the Rhodesian Ministers and the financial and economic measures which were contemplated, with the relatively minor exception of the exclusion of Rhodesia from the Commonwealth Sugar Agreement, could all be effected under existing powers. It might therefore be preferable, while giving notice of introduction of the Enabling Bill forthwith, to defer its Second Reading until Monday, 15th November, if this would improve its chances of passing through all stages in both Houses on that day. It was important that the Rhodesian question should not, if possible, become a party political issue.

As regards the form of the Bill the Opposition Leaders had pressed strongly for the Affirmative Resolution procedure. This could not be accepted, since it was essential that the Orders to be made under the Bill should take effect immediately. It might be
possible, however, to adopt a modified Affirmative Resolution procedure, by which the Orders would come into effect immediately but would lapse at the end of a specified period, say, 28 days, unless they had by then received Parliamentary approval. If this procedure were to be adopted, it would be essential that the Opposition Leaders should give an undertaking not to misuse it by insisting on a debate on each Order issued under the Bill.

In discussion it was agreed that the only urgent measure which would need to be taken under the Enabling Bill was the suspension of the Rhodesian Legislature; but no serious risk would be involved if this were deferred until the beginning of the following week. It was suggested that, if the passage of the Bill were delayed until 15th November, this might give time for opposition to the Government’s policy to begin to find a focus of expression, particularly in the House of Lords. On the other hand there would be great advantage in securing, so far as possible, the support of the Opposition for the Bill; and a delay until 15th November might be important in this respect. The modified Affirmative Resolution procedure might be tolerable, provided that satisfactory assurances were received from the Opposition to the effect that, e.g., Orders issued under the Bill would be debated together and not separately. Even under the Negative Resolution procedure it would be possible for the Opposition to challenge each Order if they wished to do so.

The Prime Minister, summing up the discussion, said that the decision on the date on which the Enabling Bill should be introduced in Parliament and on the form it should take would depend largely on the willingness of the Opposition to ensure its passage unopposed. He therefore suggested that, together with the Lord President and the Chief Whip, he should discuss the matter with the Opposition Leaders later in the day.

The Cabinet—

(2) Took note that the Prime Minister, together with the Lord President of the Council and the Chief Whip, would arrange to discuss the Enabling Bill with the Opposition Leaders.

(3) Subject to the outcome of the discussions to be arranged under Conclusion (2) above, agreed that the Enabling Bill should be introduced in Parliament on 15th November and that it should embody the modified Affirmative Resolution procedure.

The Chancellor of the Exchequer said that he was concerned about the effect on sterling if the Government blocked the Reserve Bank of Rhodesia’s sterling balances in London. If the United Kingdom appeared to be restricting sterling balances for political reasons, this could affect the attitude of other holders of sterling and could diminish confidence in the pound. This result might be minimised if the action were taken under the Enabling Bill rather than under the Exchange Control Act, since it would then be more clearly demonstrated that we were treating Rhodesia as a special case.
The Prime Minister said that it would be possible to maintain the counter argument that we should be taking action to prevent a usurping authority from having access to funds which belonged not to them but to Rhodesia; and such action, so far from undermining confidence in sterling, might reassure other holders of sterling balances who might be threatened by revolt or illegal pressure within their own territories. Nevertheless, it would be advisable that the matter should be further considered and that, pending a decision, the blocking of Rhodesia's sterling balances should not be among the initial measures to be taken in the event of an i.d.i.

The Cabinet—

(4) Agreed that the blocking of Rhodesia's sterling balances should be dealt with on the lines indicated by the Prime Minister.

The Prime Minister said that it was agreed that, in the event of an i.d.i., we should at once call for a meeting of the Security Council. It would be appropriate that the Foreign Secretary should himself go to New York in order to lead the United Kingdom delegation. There would undoubtedly be pressure in the United Nations for military action against Rhodesia. This would be ineffective unless a major Power participated; but there was a risk that the Soviet Union might offer to do so. We must therefore seek to divert the United Nations from military action by emphasising our conviction that economic measures, if firmly applied, could bring the rebellion to an end. It must be accepted that the economic measures which we proposed to take might not in themselves be sufficient to achieve this purpose; and we should therefore consider the possibility of an oil embargo, to be implemented on the authority of the United Nations. This might well involve restricting oil supplies to countries adjacent to Rhodesia, such as South Africa and the Portuguese territories; and measures would also have to be taken to counter the effects on Zambia. It would be desirable to give further consideration to this question and to the possibility of promoting related action through the trade unions in the United Kingdom and the International Confederation of Free Trade Unions.

The Cabinet—

(5) Agreed that, in the event of an i.d.i., we should call for a meeting of the Security Council and invited the Foreign Secretary to represent the United Kingdom in the debate.

(6) Invited the Foreign Secretary, in consultation with the Ministers concerned, to consider further the possibility of a United Nations oil embargo against Rhodesia.

The Prime Minister informed the Cabinet at 11.18 a.m. that news had just been received that the Rhodesian Government had announced an illegal declaration of independence. The Defence and Oversea Policy Committee would now review the action to be taken by the Government, reporting to the Cabinet as necessary. All
members of the Government should acknowledge, in any public speeches which they might make about Rhodesia, the seriousness of the position which was now developing; but Governmental comment should be restrained and responsible and it would be important to avoid any statement which might impart party political bias or any suspicion of racial prejudice into the situation. All members of the Cabinet should advise their junior Ministers accordingly.

The Cabinet—

(7) Took note of the Prime Minister's statement.

2. The Cabinet were informed of the business to be taken in the House of Commons in the following week. It was recognised that these arrangements must be provisional and subject to amendment in the light of the Parliamentary action which might be required by the illegal declaration of independence by the former Government of Rhodesia.

3. The Cabinet considered a memorandum by the Minister of Pensions and National Insurance (C (65) 145) recording the outcome of her consultations on earnings-related short-term benefits with the Trades Union Congress (TUC) and other bodies.

The Minister of Pensions and National Insurance recalled that, following the Cabinet's previous discussion of the scheme of earnings-related short-term benefits proposed in C (65) 112, she had been invited to open consultations on her proposals, including those related to injury benefit, with the TUC, the Confederation of British Industries (CBI) and other interested bodies.

In addition to the TUC and CBI, she had consulted representatives of the actuarial profession, insurance interests and Pension Funds. In addition, local authority and other public sector interests had been consulted through the Official Committee on Occupational Pensions. While some features of her proposals had been criticised, her consultations had confirmed her in the view that the scheme proposed was the best that could be achieved as an interim measure in advance of the general review of social security benefits and having regard to the limitations imposed by finance and considerations of practical administration.

Those "contracted out" of the present graduated pension scheme would pay graduated contributions and qualify for graduated pensions like anyone else; but their flat rate contribution and their pension on account of their occupational pension rights would be abated by a fixed amount. Her consultations had shown a general recognition that a change in the present arrangements for contracting out was inevitable and that her proposals offered a sensible way of overcoming not only the immediate problem of introducing earnings-related short-term benefits but also the obstacles offered by the present arrangements to future developments in the pension field.
There were overriding objections to charging the contracted out a small graduated contribution for earnings-related short-term benefits only, without making the other changes which she proposed. Besides eliminating the inequities in the present arrangements and enabling widows of those “contracted out” to qualify for a graduated widow’s pension, the changes could be presented as an essential step towards a dynamic earnings-related pension scheme. Some concern had been expressed, particularly in the public sector, about the consequential changes that would need to be made in occupational pension schemes and their related terms of service. But this was essentially a matter for employer-employee negotiation and such considerations should not dictate the form of the national scheme.

The Cabinet had already approved the inclusion of an earnings-related widow’s allowance in the scheme; she now sought approval for the other proposals outlined in C(65)112. Very early decisions were needed if the necessary legislative and administrative preparations were to be completed in time to enable the new scheme to be in operation from October 1966.

In discussion it was pointed out that the change proposed in the arrangements for contracting out would make it possible subsequently to increase the rate of the graduated pension and to introduce an element of dynamism and thus to improve the return offered by the graduated scheme, the inadequacy of which was its most criticised defect. The low wage earner who was contracted out would pay less and at the same time be given cover for earnings-related short-term benefits and widow’s pension. On the other hand the change would not increase Exchequer support of the scheme. Nor would it of itself make contracting out less attractive; but occupational pension schemes were valued by those who were covered by them.

In further discussion the following main points were made:

(a) The changes proposed would lead to extra costs in the public sector, which would in some cases fall on the Exchequer.

(b) The existence of arrangements for sick pay in this sector, together with the low incidence of unemployment and the provisions for adjusting occupational pension against national insurance pension would also imply that employees in the public services and nationalised industries would be adversely affected and would in many cases be paying more without receiving additional benefit. Amendment of occupational schemes and their related terms of employment would involve long and difficult negotiations which might not be completed before the Bill took effect.

(c) The provisions of the National Insurance scheme, which were of general application, could not be tailored to fit particular occupational schemes; nor could employees in the public sector be excepted from the new provisions for earnings-related short-term benefits because of their low risk of unemployment and provision
for sick pay. The question of adapting occupational schemes to ensure that the new National Insurance provisions did not adversely affect employees in the public sector was essentially a matter for employer/employee negotiation; and some delay in completion of these negotiations would not seriously affect pension entitlement.

(d) Because of the very large numbers in the public sector who would be affected it was difficult to reach conclusions on the National Insurance proposals without knowledge of the extent to which their disadvantageous effects in that sector could be offset by complementary changes in the occupational pension arrangements.

The First Secretary of State, summing up the discussion said that, while it was important not to delay the drafting of the legislation, the Cabinet would need to consider more fully, before reaching a final decision, the implications of the proposals in C (65) 145 for individuals employed in the public sector and the extent to which changes in pension provision in that sector might be negotiated to ensure that employees were not adversely affected.

The Cabinet—

(1) Invited the Chief Secretary, Treasury, in consultation with the Ministers concerned, to give further consideration to the implications for individuals employed in the public sector of the arrangements for contracting out of the National Insurance scheme proposed in C (65) 145 and the extent to which those arrangements might need to be modified in this regard.

(2) Agreed to resume their discussion of C (65) 145 in the light of the result of the further inquiries to be undertaken in accordance with Conclusion (1) above.

Cabinet Office, S.W.1,
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Tuesday, 16th November, 1965,
at 11 a.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. ANTHONY CROSSLAND, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power

The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. SIR FRANK SOKICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. The EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. FRED PEARL, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P., Minister of Transport

The Right Hon. BARRY CASTLE, M.P., Minister of Overseas Development

The following were also present:
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health
Mr. GEORGE THOMSON, M.P., Minister of State for Foreign Affairs

The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury
The Right Hon. SIR ELWYN JONES, Q.C., M.P., Attorney-General

The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:

SIR BURKE TREND
Mr. P. ROGERS
Mr. J. H. LOCKE

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1. The Prime Minister said that the situation was somewhat more favourable than might have been expected before the illegal declaration of independence (i.d.i.) was actually made. The inter-departmental machinery had worked effectively and the measures which had been devised in advance had been quickly and smoothly put into effect. The firm stand of the Governor, with advice from the Chief Justice, had been of the utmost value; and so far we had been able to maintain communication with him. The repressive action taken by the illegal régime had also been helpful in gaining general support in the United Kingdom for the action which the Government had taken.

It was now urgent that the Orders-in-Council which were contemplated under the Enabling Act should be made as soon as possible. We should consider whether an Order might be made which would amend or revoke some of the more objectionable powers taken by the illegal régime, such as those imposing Press censorship. It was doubtful, however, whether we should seek to annul the power of restriction, since the United Kingdom Government might otherwise be held responsible for acts of violence in Rhodesia.

The situation in the Security Council of the United Nations was delicately balanced; and neither our own resolution nor that put forward by the representative of the Ivory Coast seemed likely to be acceptable in its present form. It was possible that the Foreign Secretary might secure amendments to the latter which might enable us to vote for it. But in any event, there would be no question of our using the veto, without prior reference to the Cabinet. The Foreign Secretary was also seeking agreement on the establishment of a United Nations Working Party to examine the effectiveness of general economic sanctions and, specifically, of oil sanctions. We should reserve our position until such a Working Party had reported, since it would be inadvisable for us to impose such sanctions in advance of other countries.

The Commonwealth Secretary said that there was increasing difficulty in maintaining our communications with the Governor. For the rest, we should maintain our current measures; but we should avoid at this stage those which would operate too harshly, since these would be likely to consolidate support among the European population in Rhodesia for the illegal régime, whereas our aim should be to divide such opinion. Meanwhile we were in close touch with Commonwealth Governments in East and Central Africa on the situation.

In discussion there was general agreement that at this early stage drastic action against the illegal régime might be unprofitable. It would be unwise, however, to allow our partial restrictions to continue indefinitely at their present level, since Rhodesian opinion might increasingly be reconciled to them. We should therefore seek progressive and cumulative increases in pressure and should consider shortly, if there were then no signs of internal opposition.
to the illegal régime, whether yet further measures would be desirable. In particular a great deal would depend on the progressive financial stringency which should develop in Rhodesia as a result both of action taken by the Banks and of a decline in public confidence, since the effect of such pressures might be expected to take effect more quickly than economic sanctions and they would be seen in Rhodesia to flow from the action taken by the illegal régime rather than to be directly attributable to the United Kingdom Government. In considering our own further measures, we must continue to have regard to their possible impact on the economic position of Zambia and on the maintenance of our own copper supplies.

In further discussion the following main points were made:

(a) A number of Rhodesian diplomatic officers attached to our Embassies abroad had declared themselves loyal to the Crown. There were current difficulties, however, in relation to one officer at the Washington Embassy who continued to support the illegal régime.

(b) We should consider whether there would be advantage in arranging for a representative of the Government to visit those countries whose position was of most importance to the measures to be taken against Rhodesia, in order to promote a better understanding of the Government’s policies.

(c) The exchange control measures in respect of Rhodesian sterling balances would have to be operated flexibly and would have to take account of the needs of Malawi and Zambia to continue to import certain goods from Rhodesia. We might have to accept that certain imports should be paid for in dollars rather than in sterling.

The Prime Minister, summing up the discussion, said that we should maintain a close watch both on the situation in Rhodesia and on the effect of our economic measures on other countries and on the United Kingdom itself. He would consider the most appropriate machinery for enabling the necessary consultation and decisions on the wide ranges of issues involved to be quickly carried out.

The Cabinet—

(1) Took note of the Prime Minister’s statement and of the points made in discussion.

(2) Took note that the Prime Minister would consider the establishment of the necessary committee machinery for the consideration of the economic effects of our measures against Rhodesia both in the United Kingdom and abroad.

(3) Invited the Minister of State for Foreign Affairs, in consultation with the Commonwealth Secretary, to consider the desirability of arranging for a representative of the Government to visit certain countries in order to improve their understanding of our position in relation to Rhodesia.

SECRET
The Cabinet considered a memorandum by the First Secretary of State and the Chancellor of the Exchequer (C (65) 144) and a memorandum by the Secretary of State for Defence (C (65) 148) on the pay of the Armed Forces.

The First Secretary of State said that since 1960 the pay of the Armed Forces had been settled by biennial reviews. These were to adjust the pay of officers to take account of movements in certain Civil Service salaries and to adjust the pay of other ranks to reflect changes in average earnings in certain industries (the so-called "Grigg" system). The latest review was likely to result in an increase of about 18½ per cent as from 1st April, 1966, and would cost over £50 million. The system had been introduced as the only way in which the pay of the Armed Forces could be kept in line with civilian pay generally and, although there was no legal commitment by the Government to make an adjustment along these lines in 1966, there was clearly a strong moral commitment since recruitment to the Armed Forces had been conducted on the basis of such a pay award. Moreover, the Armed Forces represented a special case amongst employees since they were under military discipline and were not able to take action of the kind open to civilian workers to secure pay increases. Nevertheless, there was the strongest political objection to the Government raising the pay of the Armed Forces by over 9 per cent a year simply on the basis of comparability with increases in the earnings of certain workers in the Civil Service and industry. It was an essential part of the prices and incomes policy that pay increases far in excess of the norm should not be paid solely on grounds of comparability (although this was one factor to be taken into account). If an increase of this order were given by the Government without prior examination by the National Board for Prices and Incomes then our policy in this field would have to be completely re-examined. Great difficulty had already been caused by the large increases given to postmen and to teachers. The Government could not accept a further pay award of this order in the public sector without reference to the Board.

It would however be equally impossible for the Government to interfere arbitrarily with the operation of the "Grigg" system, particularly in view of the attitude which had been taken by the Labour Party when the previous Administration had amended the operation of the system in 1962. An arbitrary reduction in the amount of the pay increase to the Armed Services could only be justified if earnings in the public sector generally were held strictly at their existing level and this in turn would require more drastic action in the private sector than was involved by the present policy. The National Board for Prices and Incomes should therefore be asked to examine the increases arising from the "Grigg" system against the criteria for exceptional increases in pay set out in the White Paper on Prices and Incomes Policy (Cmnd. 2639); and to advise whether the "Grigg" increase should be applied in full in April 1966 or should be modified in any way.
If the Board reported in favour of applying the "Grigg" system, then the Government should accept the award; but there would then be ample justification for their doing so. The present system of settling the pay of the Armed Forces was not however satisfactory. It did not distinguish sufficiently between different grades and qualifications in the Armed Forces and the Board might well recommend greater discrimination in the application of pay increases. They could not be expected to reconsider in detail the pay of every grade in the Armed Forces but they could suitably advise on the general approach. Since the pay increases would not, in any case, fall due until April 1966 there was adequate time for the matter to be reviewed; in this respect the position differed from that which had made it necessary to grant the increase in the "M" rate in the Government service before the system as such was referred to the Board. There was adequate justification for referring the pay of the Armed Services to the Board since a new policy in the field of incomes, which was exemplified by the establishment of the Board, had been introduced since the "Grigg" system was approved. There was no reason why the Armed Forces should be regarded as being in a different position from other workers. Many members of the Forces were, in fact, much better paid than industrial workers whose pay claims were being referred to the Board or delayed by other means. The reference would certainly involve a change in the existing arrangements for settling pay in an important sector of the public service but this was an inevitable consequence of the development of the prices and incomes policy which would increasingly involve interference with the established procedure for arbitration. In the circumstances a reference to the Board represented the only legitimate way out of the acute dilemma which faced the Government.

The Chancellor of the Exchequer agreed that the issue should be referred to the Board. It was clear that the policy of basing pay in the public service on fair comparisons could not be easily reconciled with the policy of maintaining a norm of 3½ per cent for pay increases under the prices and incomes policy. But in addition to the difficulties for the prices and incomes policy which would be created by a pay increase of 18½ per cent to the Armed Services, the economic and financial position of the country was such that it was impossible to contemplate an increase of £50 million a year in the cost of Armed Services pay. It seemed likely that the estimates proposed by Departments for 1966-67 would show an increase of as much as 11 per cent over 1965-66. In these circumstances there were strong arguments for the Government deciding arbitrarily what could be afforded for the next two years for pay increases for the Armed Forces; but in view of the difficulties of such action the best course was to refer the proposed increases to the Board. Nevertheless, the financial and economic situation was worse than in 1962 and the Government must have full regard to this in taking their ultimate decision.

The Secretary of State for Defence said that the present system of settling the pay of the Armed Forces admittedly had defects, not
the least being the long time-lag in making adjustments equivalent to those in civilian employment. He had, in fact, tried to reduce the size of the increase which would have to be given under the existing arrangements in April 1966 and so mitigate the political difficulty by proposing that an interim award should be made during 1965. But it had not proved acceptable that a long-term agreement should be re-opened during the period that it was in force. It was reasonable that the Board should be asked to consider whether a better system could be devised, provided that the increase of 18½ per cent were granted in April 1966. There was, however, strong objection to the reference of the current increase to the Board. In the first place serious practical difficulties would arise. It would be quite impossible for the Board to carry out any thorough review of the pay of the Armed Services in relation to the criteria set out in the White Paper on Prices and Incomes in the course of two or three months. Moreover, in other references to the Board the case for the employees was put by their trade union. But the Armed Forces had nobody to represent their interests before the Board unless the Ministry of Defence did so. The Board would consequently be put in the impossible position of arbitrating between the Ministry of Defence and the Treasury. Moreover, the pay increase for officers was based on increases in the pay of certain Civil Servants who, it was contemplated, might receive a further 3½ per cent increase in January 1966; and there had been no suggestion that the pay increases for these Civil Servants should be referred to the Board.

In the second place, it would be morally wrong to withhold from the Armed Services pay increases equivalent to those which had already been received by millions of workers in civilian employment. The members of the Armed Services had been recruited on the basis that their pay would be settled on a particular basis and it would be wholly wrong to change this basis towards the end of a two-year period merely because its results were unpalatable to the Government. The Armed Forces were entitled to increases in pay of the order proposed and the Government could not devolve their own responsibility on the Board. The number of men recruited or re-engaged was not reaching the target necessary to maintain the Armed Forces at the desired level and when the conclusions of the Defence Review were announced, anxiety in the Services about their future would be intensified. They were already overstretched in relation to their commitments and the belief that the Government were not prepared to honour their obligations on pay would lead to a serious risk of complete failure of recruitment. In these circumstances a reference to the Board, which could only be seen as an attempt to reduce the size of the pay award, would also be strongly criticised by the Opposition and lead to serious political controversy.

In discussion the following arguments were put forward in favour of referring the proposed award to the Board:

(a) A pay award of 9 per cent per annum was so far above the norm that it would completely undermine the Government's incomes
policy. It had always been recognised that the attempt to restrain the rise in money incomes would require a change in the general climate of opinion and that serious difficulties would have to be faced in order to achieve this.

(b) The new policy also inevitably involved interference with the long established methods of pay settlements. In particular, further consideration would have to be given to the whole system of “fair comparisons” as a basis for settling the pay of employees in the public sector.

(c) The establishment of the National Board for Prices and Incomes introduced a fundamentally new factor into the whole situation which could not be ignored in any major pay settlement. The Government was already intervening directly or indirectly to restrain increases in pay, both in nationalised industries and in private industry, not least by restraining price increases which effectively restricted the ability of employers to raise wages.

(d) If the gradual approach to a prices and incomes policy were frustrated, it would be necessary to consider more drastic measures such as the introduction of measures to hold incomes at their existing level perhaps, accompanied by seriously deflationary policies.

The following arguments were advanced against a reference to the Board:

(e) The Armed Forces were the most vulnerable section of the community in relation to pay since they were wholly dependent on Government decisions and had no trade union to represent their interests. The “Grigg” arrangements for the pay of the Armed Services together with similar independent arrangements for the Civil Service, represented a defence for public servants against their exploitation by the Government in times of economic difficulty. Although it would be desirable to improve the system in future it would be wrong to penalise the Armed Services at the present time when their pay had admittedly fallen well behind that of comparable occupations, including the Civil Service.

(f) It had always been recognised that, in the early months of the incomes policy, there would be a transitional period in which many difficulties would arise. The proposed award to the Armed Services was an inherited and an inescapable moral commitment, since it merely represented what other people had already secured. If the prices and incomes policy proved effective in future in restraining the rise in money incomes, the “Grigg” system for the Armed Services would not create difficulties.

(g) The Board should not be asked to deal with a matter which was a firm responsibility of the Government since it affected the defence and security of the country.

In further discussion it was suggested that a possible compromise might be to announce that there would be an interim increase of 7 per cent in Armed Services pay in April 1966 (representing the “norm” of 3½ per cent for two years). At the same time the question whether any additional increase would be consistent with the criteria for exceptional increases in incomes should be referred to the Board.
The Prime Minister, summing up the discussion, said that there was general agreement that the present arrangements for determining the pay of the Armed Forces must be reconsidered and that it might be appropriate to ask the National Board for Prices and Incomes to do this. There was also general recognition of the serious dilemma posed for the Government by the conflict between past commitments in relation to public sector incomes and the requirements of the new prices and incomes policy. Full weight must clearly be attached to the extent to which the Government were morally committed to the adjustment of the pay of the Armed Forces by April 1966 under the existing systems and it would be necessary, if any reference were made to the National Board, to have regard to this factor. The Cabinet would wish to give further consideration to the matter at a subsequent meeting in the light of the arguments advanced in discussion. Meanwhile, the First Secretary of State, the Chancellor of the Exchequer and the Secretary of State for Defence might consider whether a compromise might be found which would reconcile the differing considerations.

The Cabinet—

(1) Agreed to resume their discussion at a subsequent meeting.
(2) Invited the First Secretary of State, the Chancellor of the Exchequer and the Secretary of State for Defence to consider in the light of the discussion whether an alternative solution might be devised which would offer a compromise between the divergent considerations.

Cabinet Office, S.W.I.,
16th November, 1965.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 18th November, 1965, at 10 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs (Items 3–6)
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies (Items 1–3)
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power

The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade (Items 3–6)
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science (Items 3–6)
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development
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The following were also present:
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Items 3 and 4)
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Items 3–5)
The Right Hon. Sir ELWYN JONES, Q.C., M.P., Attorney-General (Items 1, 2 and 3)
The Right Hon. CHARLES PANNELL, M.P., Minister of Public Building and Works (Item 6)
Mr. GEORGE THOMSON, M.P., Minister of State for Foreign Affairs (Items 1, 2 and 5)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury (Items 1 and 2)

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. J. H. LOCKE

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Parliament

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

Oversea Affairs
Vietnam
(Previous Reference: CC (65) 38th Conclusions, Minute 2)

2. The Minister of Overseas Development asked whether there was substance in the recent Press statement that at an earlier stage of the conflict in Vietnam the United States Government had rejected a proposal for negotiations by the Government of North Vietnam.

The Prime Minister said that, while the facts were not fully known to the United Kingdom Government, the episode had taken place before the present Administration assumed office and hence before an understanding had been reached with the United States Government on this issue.

The Cabinet—
Took note of the Prime Minister's statement.

Prices and Incomes Policy
Pay of the Armed Forces
(Previous Reference: CC (65) 61st Conclusions, Minute 2)

3. The Cabinet resumed their discussion of memoranda by the First Secretary of State and the Chancellor of the Exchequer (C (65) 144) and by the Secretary of State for Defence (C (65) 148) on the pay of the Armed Forces. They also considered a supplementary memorandum by the First Secretary of State and the Chancellor of the Exchequer (C (65) 154), reporting their further discussions with the Secretary of State for Defence.

The First Secretary of State said that the Cabinet had invited the Chancellor of the Exchequer, the Secretary of State for Defence and himself to discuss whether alternative solutions might be devised which would offer a compromise between the divergent considerations which had emerged in the discussion on the pay of the Armed Forces at the meeting on 16th November. They had discussed the possible basis for a reference to the National Board for Prices and Incomes (NBPI) but had not been able to reach agreement. Annex A of C (65) 156 set out the conditions on which the Secretary of State for Defence would reluctantly be prepared to consider a reference to the Board, although remaining of the opinion that such a reference represented the wrong procedure for the determination of the issues involved. On the other hand it was essential that any settlement should be reached in the light of the wider national interest and in such a way as to avoid prejudicing the national incomes policy. It would therefore be preferable to adopt the proposals set out in Annex C of C (65) 154, whereby the matter should be referred to the Board on the basis of an interim increase of 7 per cent with effect from 1st April, 1966, an increase which would be consistent with what was proposed by the Chancellor of
the Exchequer in relation to the pay of the Higher Civil Service and had been recently granted in relation to the pay of railway workers. The Board would be able to produce a report on a reference of this nature within two months.

The Secretary of State for Defence said that on further consideration he doubted whether the Armed Services would be able to accept a reference to the Board even on the basis of the terms in Annex A to C (65) 156; and there was a serious risk that action of this kind would provoke a very strong reaction against the Government's policy. He remained firmly of the opinion that the Board could not be expected to form any considered judgment on the size of the correct increases in pay for individual groups of Servicemen in a period of two months. Indeed, if they suggested that there should be an average increase of any figure other than 18\(\frac{1}{2}\) per cent which had been indicated by the "Grigg" formula, they could only do so on an entirely arbitrary basis. The only realistic form of reference to the Board would be to ask them whether it seemed to them that the increases in pay resulting from the application of the "Grigg" formula were compatible in principle with the general policy on prices and incomes. If the Board said that in their view the increases were so compatible, it was essential that the Government should then be prepared to make the payment in full, since otherwise there was no point in a reference to the Board. On the other hand, if the Board said that the increases were not compatible with the general policy, the Cabinet would have to decide how large an increase should be given, bearing in mind that any decision would be essentially arbitrary until a new system of settling the pay of the Armed Services was worked out. As regards the proposed interim award, the pay of other ranks had not been adjusted in the light of increases in civilian pay since July 1963. By April 1966 they would therefore be no less than two years and eight months in arrears in relation to their civilian counterpart; and this would justify an increase of nearly 9\(\frac{1}{2}\) per cent. He felt strongly, therefore, that the initial increase should be 9\(\frac{1}{2}\) per cent.

Nevertheless, even on this basis, he still considered that a reference to the Board would be the wrong course. Indeed, if the outcome were an increase in Service pay less than that provided by the "Grigg" formula, he would regard a Cabinet decision, taken deliberately and defended in the light of the economic and financial situation, as less dangerous than a reference to the Board. But it remained his view that the right course was to increase Service pay on the basis of the "Grigg" formula and to present this in a way which would be less embarrassing to the Government's policy on prices and incomes. So far discussion had proceeded on the basis of the percentage increase in basic rates alone; but, if account were taken of all emoluments, the percentage increase which would be involved would be not 18\(\frac{1}{2}\) per cent but 12\(\frac{1}{2}\) per cent, since many allowances were not being substantially increased. Moreover, it could be argued that, although only two years would have elapsed since the last pay increase, other ranks were two years eight months in arrears in relation to the pay of their civilian counterparts and

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would therefore be entitled under the norm to an increase of nearly 9½ per cent. An increase of 3 per cent over and above this would be fully justified in terms of the criteria laid down in the prices and incomes policy for increases in excess of the norm.

In discussion there was general agreement that any reference to the Board should be of the rather general character suggested by the Secretary of State for Defence. The main consideration was to secure from the Board guidance on the question whether they regarded a settlement on the basis of the “Grigg” formula as acceptable within the terms of the general policy on prices and incomes. They should not be encouraged to examine the issue in detail, although they must be free to give reasons for their views and, if they regarded an increase as unacceptable, to indicate the broad extent of the incompatibility. The Board would essentially be expressing a view on the conflict between inherited commitments, based on systems of fair comparison, and the principles now laid down for incomes policy. They should be given until the middle of January to report; and their report should be made in the first place in confidence to the Government in order that the Cabinet might then reach a decision. It should be made clear that the Board were being asked for an advisory opinion rather than for detailed recommendations, and there would be no question, therefore, of the Government’s being committed to accepting their proposals. If the Board reported by mid-January, there would be time for decisions to be taken and included in the Defence Estimates; a supplementary Estimate should be avoided, if possible. It would be necessary to announce that the reference was being made to the Board, since this would be bound to become known. The question whether the Board’s report should be published could be considered when it had been received. In these circumstances there would be no question of announcing any interim increase to take effect on 1st April, 1966.

There was also general agreement that further thought should be given to the whole question of the manner in which the arrangements for settling wages and salaries based on straight comparisons with movements in earnings in other occupations should be integrated into the incomes policy. In the public sector there were many arrangements of this kind; since adjustments tended to be made relatively infrequently and in arrears, they were apt to appear substantial. Moreover, the basis on which “fair comparisons” were made was not uniform in all cases. There might be a case for referring to the Board for advice not only the “Grigg” system for settling the pay of the Armed Services but also the whole range of similar public sector settlements. The Ministerial Committee on Economic Development should therefore discuss at an early date the whole problem of integrating the system of “fair comparisons” into the new structure of the incomes policy, and any further reference to the Board on the question whether the “Grigg” formula needed to be modified or replaced as a whole as the basis for determining Forces pay in the longer term should be deferred until such discussion had taken place.
The Cabinet—

(1) Agreed that the National Board for Prices and Incomes should be asked to advise on the acceptability in relation to the general incomes policy of the pay increases proposed for the Armed Services on the basis of the "Grigg" formula.

(2) Invited the First Secretary of State, the Chancellor of the Exchequer and the Secretary of State for Defence to agree the terms for this reference and to make the necessary arrangements.

(3) Invited the First Secretary of State to arrange for the Ministerial Committee on Economic Development to consider the problems raised in relation to the Government's policy on prices and incomes by the settlement of wages and salaries in the public sector by reference to comparisons with earnings in other occupations, including the possibility of seeking advice from the National Board for Prices and Incomes on this general issue.

*4. The Cabinet considered a memorandum by the Chancellor of the Exchequer about the pay of the Higher Civil Service (C(65) 146) and a memorandum by the Minister of Health (C(65) 147) about the effect of decisions on the pay of the Higher Civil Service on the attitude of doctors and dentists to the negotiations on their remuneration.

The Chancellor of the Exchequer said that the Standing Advisory Committee on the Pay of the Higher Civil Service (the Franks Committee) had embarked on a general review in January 1965. At that time he had indicated to Lord Franks that the time was inauspicious for such a review in the context of the prices and incomes policy; but the Committee had proceeded and had reported in September. They had recommended an increase which averaged 3½ per cent per year for the 8,000 staff involved. Only in the case of one grade was the recommended increase in excess of the norm. The Committee had said that they had had regard to the general economic situation and that this had led them to modify views based on other considerations about the pay of the highest grades in the Civil Service.

Although the increases were within the "norm" in percentage terms, the absolute amounts were considerable—between £6 and £10 a week in many cases. Experience in relation to, e.g., the judges' salaries had shown that increases of this order tended to evoke considerable public criticism. It might be impolitic, therefore, to accept the recommendations of the Franks Committee in the form in which they had been submitted. On the other hand it would be undesirable to reject them completely or to modify them by some

* Previously recorded as a Confidential Annex.

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arbitrary amount. The wisest course, therefore, might be to announce that the Government endorsed the recommendations in principle but that the timing of their implementation must be adjusted in the light of the country's economic circumstances. On this basis the only immediate increases which should be given would be 3\% per cent at Assistant Secretary and Under-Secretary levels as from 1st September, 1965, the full recommendations being implemented as from 1st September, 1966. This action might be unwelcome to the Civil Service, who might fear that the Government were once again using their position as employers to enforce in the public sector an incomes policy which elsewhere would depend largely on consent. It might also cause offence to the Franks Committee. On balance, however, it should be less objectionable than any other course.

The Minister of Health said that he was concerned about the effect of such action on the confidence of doctors and dentists in the work of the Review Body which had been established to make recommendations on their remuneration. He had had considerable difficulty in persuading them to allow their pay claim to be submitted to the Review Body; and a rejection of the Franks recommendations would almost certainly lead them to believe that the Government would also reject the recommendations of the Review Body. From this point of view, however, the proposal to accept the Franks report but to postpone its operative date would be less damaging than arbitrary changes in the recommendations; and, if this course were adopted, he would do his best to reassure the medical and dental professions.

In discussion it was suggested that it might be unacceptable that the pay of the Armed Forces should be referred to the National Board for Prices and Incomes if the recommendations of the Franks Committee were accepted without such reference. The Franks Committee had based their recommendations on the same system of comparison with movements in analogous salaries as was involved in the "Grigg" formula which determined adjustments of Service pay. Moreover, the pay of senior officers in the Armed Services was settled by reference to the salaries of Civil Service grades covered by the Franks Committee's recommendations. Public opinion would not readily understand why substantial increases in higher Civil Service salaries were granted without reference to the Board when the pay of the Armed Services was being so referred. On the other hand the recommendations of the Franks Committee were different from the results of the operation of the "Grigg" formula. They had been made as the result of an up-to-date study by an independent Committee which claimed to have taken account of the national economic situation, whereas the proposed increases in Service pay followed from the automatic application of a formula devised several years earlier. Moreover, the increases in Civil Service pay proposed by the Franks Committee were below the norm in most instances and there was therefore little
case for referring them to the Board. It was not clear, however, how far the Franks Committee had in fact taken account of the general prices and incomes policy; and it was desirable that the Board should be given the opportunity to ensure that the criteria applied by the various independent committees on wage determination were consistent with general policy on incomes. A reference to the Board for an advisory opinion on the consistency of the Franks recommendations with that policy would, moreover, protect the Government against the charge that they were seeking to take unfair advantage of their position as the main employer in the public sector.

The Prime Minister, summing up the discussion, said that the general view of the Cabinet was that the Board should be invited to consider the recommendations of the Franks Committee and to advise whether those recommendations were consistent with the general policy on incomes, even though it was recognised that this course might be unwelcome to the Civil Service Staff Associations and might also give offence to the Franks Committee itself. As in the case of the Armed Services the Board’s report should be made to the Government and the Board should not initially publish it.

The Cabinet—

(1) Agreed that the recommendations of the Franks Committee on the Pay of the Higher Civil Service should be referred to the National Board on Prices and Incomes and invited the First Secretary of State to make the necessary arrangements for this purpose.

(2) Invited the Chancellor of the Exchequer to explain the reasons for this decision to Lord Franks.

(3) Agreed to resume their consideration of the issues involved in the light of the report from the Board.

5. The Prime Minister said that a group of the Ministers most immediately concerned was now meeting daily in order to keep the situation in Rhodesia under close review and to take decisions on the day-to-day action which was required. Issues of substance would, of course, be brought before the Cabinet.

The Foreign Secretary informed the Cabinet of the outcome of his visit to New York in order to attend discussions on Rhodesia at the Security Council. Our intention at the outset had been to seek the active support of the Council in making effective the measures which we were taking in order to deal with the illegal declaration of independence (i.d.i.) in Rhodesia. The immediate objective of ensuring non-recognition of the illegal régime had been secured by an interim resolution which had been tabled by the representative of Jordan. Thereafter, we had tabled a resolution whereby the Security Council would agree that arms should not be supplied to Rhodesia and that the measures taken by the United Kingdom Government should be fully supported by other nations. This
resolution, however, had attracted criticism on two main counts—first, that the United Kingdom Government were responsible for creating the present situation by the action which they had either taken or omitted to take over a period of years and specifically by their agreement to the allocation to Rhodesia of a disproportionate share of the Federal armed forces on the dissolution of the former Federation of Rhodesia and Nyasaland; second, that the measures which we were now taking were inadequate to deal with the position which had developed. In these circumstances our objective had been to promote, if possible, an agreed resolution, i.e., a resolution which would attract a minimum of seven votes and would not be subject to veto. Failing that, it was important that we should at least secure that no resolution which was unacceptable to us, e.g., because it advocated the use of military force, should receive the necessary majority of votes, since there were strong political arguments against our having recourse to our power of veto in order to defeat such a resolution. We could count on the opposition of four of the member countries of the Security Council, including ourselves, to a resolution in unacceptable terms; but we should need to attract one more vote in order to deprive any resolution of the necessary majority. This might be obtained either from Bolivia or Uruguay, or failing either of these, from Jordan or Malaysia.

The views of the more extreme section of opinion in the United Nations had found expression in an alternative resolution tabled by the representative of the Ivory Coast. This had to be in terms acceptable to the Afro-Asian bloc, since otherwise the Soviet Union would be likely to exercise their power of veto. But it at least omitted any reference to the use of armed forces; and we might still hope, therefore, to avoid any resolution which proposed resort to force. Nevertheless, the Ivory Coast draft resolution might still incorporate various features which we should find embarrassing. In the first place it sought to assign a special role to the Organisation of African Unity (OAU); and, while we need not object to a reference recognising the special interest of that Organisation, we could not agree that the Security Council should invoke their assistance in terms which implied approval in advance for any measures which the OAU might decide to take. The second difficulty arose from the suggestion in the resolution that after the defeat of the rebellion, a new Constitution on the basis of universal suffrage should be introduced forthwith, since, while we could accept this as the eventual objective, we could not commit ourselves on the timing of action to this end. The third difficulty related to the additional measures which the resolution judged necessary in order to deal with the present situation, particularly the proposal for the complete rupture of economic relations with Rhodesia, including the imposition of an oil embargo. While we should have preferred to deal with this suggestion by promoting a study, within the United Nations, of the implications of such measures, we might be able to accept a form of words requiring member countries to do all they could to implement sanctions of this kind, provided that, when the
issue came to the vote, the United Kingdom representative made it clear that no useful purpose would be served by carrying out such measures before careful prior study of the consequences for other member States. Finally, it was important to us that the resolution should not be worded in terms implying that the situation in Rhodesia called for action under Chapter VII, rather than Chapter VI, of the Charter of the United Nations, since resolutions under Chapter VII were mandatory whereas resolutions under Chapter VI had the force of recommendations only.

In short, there appeared to be a reasonable prospect that no resolution which might make it necessary for us to use our veto would be acceptable to a majority of the Security Council; and it was even possible, though at present unlikely, that we might succeed in securing the adoption of a resolution in terms which we should regard as satisfactory. In the longer term, however, we might need to consider whether, if it were not possible to bring the rebellion to a speedy end, it would be to our advantage to disclaim further responsibility for Rhodesia and to leave the United Nations to deal with the situation.

The Prime Minister said that it would be necessary to keep developments at the United Nations under continuous review, since any question of using our veto would need very careful consideration by the Cabinet as a whole. For the rest, we should not lightly contemplate abdicating our responsibility for Rhodesia, however serious the difficulties at the United Nations in which we might be involved as a result.

The Cabinet—

Took note, with approval, of the statement by the Foreign Secretary.

6. The Cabinet considered a memorandum by the Secretary of State for Wales and the Minister of Housing and Local Government (C (65) 151), covering a draft White Paper on the housing programme 1965-70; and a memorandum by the Secretary of State for Scotland (C (65) 152), covering a draft White Paper on the Scottish Housing Programme.

The Minister of Housing and Local Government said that the White Paper was intended to elaborate on that part of the National Plan which dealt with housing. It set out the objective of building 500,000 houses a year in the United Kingdom by 1970, more or less evenly divided between the public and private sectors. As regards the public sector it explained the Government’s decision to increase the amount of subsidy on housing provided by public authorities on the basis approved by the Home Affairs Committee on 4th August (H (65) 20th Meeting, Item 2). There might well be criticism of this large additional subsidy to council tenants; and it was for this reason that paragraphs 39 and 40 of the White Paper discussed the tenancy and rent policies of local authorities. As regards the private sector,
the White Paper set out the measure of agreement which had been reached with representatives of the building industry, the building societies, local authorities and insurance companies about possible arrangements to use the level of mortgage advances as a means of regulating the volume of private house-building. It now seemed clear that agreement on this issue could be reached without involving the Government in providing the building societies with any guarantee about the flow of funds available to them. It was also satisfactory that representatives of the building industry were now prepared to engage in discussions on practical issues such as the availability of land for the house-building programme.

In discussion a number of drafting amendments were suggested to the text of the White Paper; and the following main points were made:

(a) Further consideration should be given to the terms on which improvement grants were given for existing houses; but this would require amending legislation.

(b) It would be desirable to expedite the work of the Committee which was considering possible ways of reducing the costs of private house purchase in order that the Government might be seen to be seeking to assist those who bought their own houses.

(c) The expenditure on housing subsidies arising from the proposals in the White Paper could be accommodated within the limits of public expenditure which had been agreed by the Cabinet for the period up to 1970 (CC (65) 43rd Conclusions, Minute 3).

(d) The increased house-building programme would create a large demand for new schools in certain areas; and, in view of the limitation on total expenditure on education, there would be virtually no provision for replacing sub-standard schools in the next few years.

(e) The attempt to restrict loans for new housing by arrangements with the building societies, the insurance companies and local authorities might be frustrated by the actions of other financial institutions or the creation of new institutions to meet demand. It was not clear, therefore, that the outcome of the discussions referred to in paragraph 27 of the draft White Paper would be effective in regulating the volume of private building.

The Cabinet—

(1) Approved the text of the White Paper on the housing programme 1965–70 and the Scottish housing programme, subject to the amendments made during the discussion.

(2) Invited Ministers to inform the Secretary of State for Scotland and the Minister of Housing and Local Government of any further drafting amendments which they wished to propose.

Cabinet Office, S.W.1.
18th November, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Tuesday, 23rd November, 1965,
at 10.45 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs (Items 1-2)
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir FRANK SOSKICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. The EARL OF LONGFORD, Lord Privy Seal (Items 1-3)
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council (Items 1-2)
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence (Items 1-3)
The Right Hon. ARTHUR BOLTMEYER, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade (Items 1-2)
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. TOM FRASER, M.P., Minister of Transport

The following were also present:
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Item 3)
The Right Hon. MARGARET HERBISON, M.P., Minister of Pensions and National Insurance (Item 3)
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Items 1-2)

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. J. H. LOCKE
Mr. L. ERRINGTON

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London Transport Fares

1. The Cabinet considered a memorandum by the First Secretary of State on London Transport Fares (C(65) 153).

The First Secretary of State said that earlier in the year the London Transport Board had proposed to increase fares by an average of 10 per cent from May 1965. The Government had at that time requested the Board to postpone the increase while a thorough examination was made of the possibility that more extensive measures of traffic management and restraint would improve the conditions under which the Board operated. The Government undertook to make good to the Board the loss of revenue from not raising fares; and this would cost just under £4 million until the end of 1965. An examination had been carried out by the Departments concerned together with the Greater London Council and the London Transport Board; but it had not resolved the basic problems of transport in London and it was clear that for this purpose more time was needed. He himself, together with a minority of the members of the Ministerial Committee on Economic Development, thought it would be desirable to delay any decision on fare increases for a further six months and to use the time to work out proposals for the longer-term solution of London’s traffic problems. An increase in fares would be much more acceptable if it could be presented as part of a series of measures dealing with the whole traffic problem. Even on the basis of an increase in fares averaging 10 per cent London Transport would still be running at a loss in 1966; and this would have to be met by a subsidy of some kind. This course would therefore make the worst of both worlds.

A majority of the Committee, however, took the view that fares should be increased in January 1966 by 10 per cent. They did not consider that there was any evidence that solutions of the long-term problem could be devised in the course of a few months or that there was any hope of enabling London Transport to pay its way without periodic increases in fares. They thought that it would be wrong to finance a deficit of London Transport from the Exchequer and therefore from taxpayers throughout the country.

It was necessary for the Cabinet now to decide whether there should be a further delay in increases of fares, with an extension of the Government’s subsidy for a further six months, or whether it was undesirable to continue to hold down fares. Due weight should be given to the possible effect on incomes policy of a substantial increase in London. The Government had been making strenuous efforts, both in the public and private sectors, to restrain price increases in order to improve the chances of restraining the rise in incomes. It was particularly important at the present time to lengthen the period of time between wage claims; and stability of prices over the next few months would be especially valuable.

The Minister of Transport said that the study for which the Government had asked in May on the possibility of improving the conditions under which London Transport operated in Central London and on possible economies in the services provided by
London Transport had been completed by mid-October. But this report showed that it was not likely that in the foreseeable future there would be any great improvement in the present position, although it could be prevented from becoming worse. In these circumstances there seemed little to be gained from delaying still further some increase in London fares, particularly since the London standstill was embarrassing in relation to fare increases elsewhere in the country and was also adding £1 million a year to the deficit of British Railways in respect of London commuter services. There was little evidence to suggest that an increase in fares would lead to a major loss of traffic or to any serious increase in the use of private transport in Central London itself. Indeed, a great part of the problem facing London Transport was the loss of off-peak traffic which followed directly from the increase in car ownership, but was not associated with times and places of serious congestion. He was about to put to the Ministerial Committee on Transport Policies a memorandum about possible ways of restricting the use of cars in Central London, particularly by commuters; but there were serious difficulties in all possible courses.

The Chancellor of the Duchy of Lancaster said that the Ministerial Sub-Committee on Transport Policies were meeting on the following day in order to consider the fundamental problems affecting London Transport. The Sub-Committee had not been able to discuss these problems earlier because the necessary basic information was only just becoming available. Although the Sub-Committee had considered that an increase in fares would not make their task more difficult, they had not had before them any precise information about the effects of an increase on either London Transport revenue or traffic congestion. He himself considered that there would be advantages in deferring the increase for a further period while the Sub-Committee formulated recommendations on policy, even though they might ultimately conclude that fare increases were inevitable. It would be particularly awkward to announce an increase in fares just when the Greater London Council had appealed for the use of public transport rather than private transport by Christmas shoppers.

In discussion varying views were expressed about the desirability of a further delay in increasing fares. On the one hand it was argued that increases were unavoidable from time to time; and it would be wrong to propose yet further delay. It could also be maintained that the Government were beginning to treat nationalised industries differently from private industry as regards price increases. On the other hand it was suggested that the information about traffic developments in the longer term was still inadequate and that it would therefore be wrong to take a decision about an increase in fares at this time, particularly in view of the possible effect on incomes policy.

The Prime Minister said it was difficult for the Cabinet to form a final view on fare increases when the Ministerial Sub-Committee on Transport Policies were on the point of considering the fundamental problems of transport policy in London. It would be
desirable, therefore, that a decision should be deferred for a fortnight; and in the meantime the Sub-Committee should report whether they considered that in the course of six months there was reasonable hope of finding effective ways of dealing with the problems of London Transport. It seemed to be generally agreed that there was little prospect that London Transport would be able to cover the whole of their costs from fare revenue in the foreseeable future and that there were serious objections to meeting the deficit indefinitely from the Exchequer. What was now required, therefore, was an appraisal of the possibilities of raising additional revenue by charges of one kind or another for the use of cars in London, which could be used to subsidise London Transport and might at the same time help to reduce congestion in Central London. The possibility of confining such additional charges to cars owned by commercial concerns and car-hire firms should not be excluded.

The Cabinet—

(1) Invited the Chancellor of the Duchy of Lancaster to arrange for the Ministerial Sub-Committee on Transport Policies to report as soon as possible on the prospects of finding solutions to the fundamental problems of London Transport within a period of six months.

(2) Agreed to resume their discussion of London Transport fares in the light of this report.

2. The Cabinet considered a Note by the Secretary of the Cabinet (C (65) 158) setting out draft terms of reference to the National Board for Prices and Incomes on the pay of the Armed Forces.

The Prime Minister said that, since the meeting of the Cabinet on 18th November, the Chiefs of Staff had expressed considerable concern about the proposed reference of the increase in the pay of the Armed Forces to the Board. They had emphasised the risk to Service morale and to recruiting prospects while the Board were considering the question; and they had expressed the view that the reference might be interpreted as a breach of contract in relation to the terms on which Servicemen had been recruited. The Cabinet would wish to take full account of these views in deciding the wording of the terms of the reference to the Board, which had now been agreed, as indicated in C (65) 158, subject to residual disagreement on the inclusion of the final phrase which mentioned "the commitment to the Services represented by the system of biennial reviews".

The Secretary of State for Defence said that the absence of any reference to the Government's commitment to the Services, as exemplified by the "Grigg" system of biennial reviews, would be liable to intensify the doubts which would be raised in any event by the reference to the Board.
The First Secretary of State said that it was important not to pre-judge the issue presented to the Board. Moreover, the Government were not committed to adopting the rates of pay arising from the "Grigg" formula, although they were committed to reviews being held on the basis of that formula.

The Chancellor of the Exchequer said that, in addition to these objections, no similar reference to a commitment was to be included in the proposed reference to the Board of the Franks Committee recommendations on the pay of the Higher Civil Service, although it could be argued that the extent of the commitment here was at least as great as in the case of the "Grigg" formula. These terms of reference had already been communicated to the National Staff Side.

After discussion the Prime Minister suggested, and it was agreed, that the most appropriate means of dealing with this point would be to include, at the beginning of the terms of reference, a statement that—

"The Government are committed to carrying out a review of Service pay at two-yearly intervals in accordance with the procedure described in Cmnd. 945."

The Cabinet then considered the procedure for giving evidence to the Board. It was agreed that the Ministry of Defence should prepare a memorandum about the "Grigg" system and the problems involved in recruiting and retaining sufficient men to meet the commitments of the Services. Relevant factual information from other Departments should be included in the same memorandum, which should be confined to a factual statement of the position and should not seek to argue points of view. If it proved impossible to reach agreement between the Departments concerned on the text of the evidence, the matter should be remitted for further consideration by the Prime Minister, in consultation with the Ministers concerned, and, if necessary, by the Cabinet. Officials of the Ministry of Defence and of other Departments concerned would give oral evidence at the request of the Board; but it would be important to avoid creating any impression that the Board were in any sense expected to adjudicate between Departments or to do more than give an advisory opinion on an issue on which the final decision rested with the Cabinet.

It was agreed that it would be desirable that the reference to the Board should be announced by the First Secretary of State in the House of Commons on 25th November. A draft of a Parliamentary statement which had been prepared for this purpose would need to be further considered in the light of the decision on the text of the terms of reference.

The Cabinet—

(1) Approved the draft terms of reference to the National Board for Prices and Incomes set out in C (65) 158, as amended in discussion.

SECRET
(2) Agreed that a single memorandum of evidence, describing the factual position in relation to Service pay, should be submitted to the Board on behalf of the Government.

(3) Invited the First Secretary of State to announce the reference to the Board of the pay of the Armed Forces and of the Franks Committee’s recommendations on the pay of the Higher Civil Service in the House of Commons on 25th November and to agree the text of his announcement with the Chancellor of the Exchequer and the Secretary of State for Defence.

3. The Cabinet considered a note by the Chief Secretary, Treasury (C (65) 157) on the implications for the public sector of the change in the basis of contracting out proposed by the Minister of Pensions and National Insurance.

The Chief Secretary, Treasury, recalled that, at the Cabinet’s previous discussion, the Minister of Pensions had explained the advantages that would flow from the changes in the arrangements for contracting out of the graduated national insurance pension scheme which she had proposed in connection with the introduction of earnings-related short-term benefits. The Cabinet had, however, been concerned at the effect of these changes on employees in the public sector and had invited him to give further consideration to their implications. The changes proposed by the Minister would most seriously affect the half million civil servants and members of the Armed Forces who did not contribute towards their occupational pensions and had earnings of over £14 a week. These would pay up to approximately 5s. a week extra in contributions and their total pension provision would at the same time be reduced—by up to £120 at the maximum. These numbers would be balanced by another half million, earning less than £14 a week, for whom a reduction in pension provision would be offset by a reduction of up to 5s. a week in contributions.

Elsewhere in the public sector, occupational schemes were contributory and adjustments could be made both to the occupational contribution and to pension provision which would help to offset the effect of the changes in the national insurance arrangements. It would be necessary to amend the Police and Firemen’s schemes in order to enable such adjustments to be made. There would, however, still be a substantial number of married women, especially teachers, who would have to pay up to 6s. a week more in contributions. Employees in the public sector would gain additional cover for widowhood; on the other hand they were unlikely to benefit directly from the provision of earnings-related sickness and unemployment benefit.

The disadvantages for employees in the public sector resulted essentially from the application of the principle that public service pensions must be abated in respect of national insurance graduated
pension. The necessary negotiations between employing authorities and employees would take time; and, while the Treasury would enter upon them with an open mind, it was not possible to predict their outcome—in particular, whether some modification of the principle of abatement might have to be conceded. In the meantime, if the economic advantages of earnings-related unemployment benefit were not to be deferred, it was necessary to reach an early decision on the changes proposed by the Minister, which were both logical and probably inevitable.

In discussion it was pointed out that, despite the case in equity for increasing the contribution of the higher paid contracted out employee, this would inevitably provoke a strong reaction when it was associated with a concurrent loss of pension rights, as would be the case in respect of civil servants and members of the Armed Forces earning over £14 a week. It was argued that the effect on the Armed Forces would be particularly unfortunate and that, to ensure that no one was worse off, it would be necessary for the Ministry of Defence to pay the additional contributions as well as to pay service pension in full. The effect of the changes on civil servants and the Armed Forces could only be satisfactorily mitigated by some departure from the principle of full abatement, and it was argued that some modification of this principle was justified on grounds of equity, both as it applied to the abatement of pension and to the abatement of pay during sickness. It was also pointed out that the figures for increased contributions quoted in C (65) 157 were not solely related to pensions but included the additional $\frac{1}{2}$ per cent that was being charged for earnings-related short-term benefits; that they did not reflect the possible reduction of 4d. in the flat rate contribution; that the figure of £120 quoted as being the maximum amount that would be lost in pension rights represented the extreme case which would not occur for 47 years; and that the extra cost of the change to the Police and Firemen would be greater than indicated.

In further discussion the following main points were made:

(a) In the absence of an indication of the extent to which a modification of the principle of abatement might be conceded in negotiation it was difficult to reach conclusions on the Minister's proposals, since their full effect would not be known. The local authorities in particular would have to know the attitude of the Government before embarking upon negotiations.

(b) The pension arrangements for civil servants and the Armed Forces could not now be represented as preferential, since they were part of the general terms of service.

(c) It would not be practicable to accept employees in the public sector from the proposed scheme of earnings-related short-term benefits.

(d) To make good the extra cost of the changes to employees in the public sector would cost the Exchequer some £6 million a year initially. An addition of this order to the effective cost of the Minister's proposals could hardly be contemplated, nor could a
corresponding saving be achieved by reducing the benefits proposed. On the other hand some limited modification of abatement might suffice for purposes of negotiation.

The Prime Minister, summing up the discussion, said that the Cabinet would wish to give further consideration at their next meeting to the implications for public service employees of the proposals made by the Minister of Pensions. In the meantime the Chief Secretary, Treasury, should consider to what extent some modification of the principle of abatement might be conceded in negotiation.

The Cabinet—

1. Agreed to resume their discussion at a subsequent meeting.
2. Invited the Chief Secretary, Treasury, to consider in the meantime to what extent some modification of the principle of abatement might be conceded in negotiation with the employees' associations.

4. The Cabinet considered a memorandum by the Minister of Transport (C (65) 156) which proposed the imposition of certain speed limits on roads.

The Minister of Transport said that he proposed to take two main steps in the immediate future to deal with the problem of multiple accidents on the motorways. The first was to institute an ad hoc advisory speed limit of 30 miles per hour (m.p.h.) on lengths of motorway where weather conditions were particularly bad. These lengths would be indicated by flashing electric signs at the side of the road, which the police would operate as necessary. The second measure was to introduce for a trial period of four months a limit of 70 m.p.h. on all unrestricted roads, including motorways. No direct evidence was available about the effect of introducing such a speed limit; but there was reason to expect some reduction in both driving speeds and the number of accidents. Neither measure involved substantial expenditure; and the local authorities and other organisations mainly concerned had been consulted. While there might be some opposition from motoring interests, public opinion generally was in favour of imposing speed limitations on a trial basis. His proposals had been considered and endorsed by the Home Affairs Committee and, subject to the Cabinet's approval, he proposed to make a statement the following day in the House of Commons.

In discussion the following points were made:

(a) The temporary and advisory limit of 30 m.p.h. in bad weather conditions might be too high for safe driving and impossible to ensure. It might therefore be preferable merely to advise motorists to drive slowly under such conditions.
(b) The 70 m.p.h. limit was too high for a number of roads which were at present unrestricted and, indeed might be argued to be too high for safe driving on the motorways also. It might be preferable to introduce categories of speed limits according to the nature of the roads concerned; and these might well be extended by imposing different speed limits on the various traffic lanes in motorways.

(c) Further consideration should be given to the need to impose restrictions on cars, and particularly on lorries, moving from one lane of a motorway to another.

(d) The application of the proposal for an advisory speed limit of 30 m.p.h. on motorways in bad weather might have to be modified in its operation in Scotland in view of the very small mileage of motorways which had so far been completed there.

The Prime Minister, summing up the discussion, said that further consideration should be given by the Home Affairs Committee to these suggestions, particularly as regards the need for heavy vehicles to keep to particular traffic lanes on motorways. The Cabinet were in broad agreement with the remaining proposals for a trial period; but their effectiveness would have to be considered in the light of experience.

The Cabinet—

(1) Approved C (65) 156.

(2) Invited the Chancellor of the Duchy of Lancaster to arrange for the Home Affairs Committee to consider, in the light of the discussion, the advisability of imposing further restrictions on road traffic.

Cabinet Office, S.W.1,
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 25th November, 1965, at 10.30 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs (Items 1-3)
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir FRANK SOKICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. LORD LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M.P., Minister of Housing and Local Government (Items 1-4)
The Right Hon. R. J. GEORGE, M.P., Minister of Labour (Items 1-3)
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. TOM FRASER, M.P., Minister of Transport

The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence (Items 1-2)
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. FREDERICK LEE, M.P., Minister of Power (Items 1-2)
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development
SECRET

The following were also present:
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Item 2)
The Right Hon. MARGARET HERBISON, M.P., Minister of Pensions and National Insurance (Items 2-4)
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Items 2-5)
Mr. GEORGE WILLIS, M.P., Minister of State, Scottish Office (Items 4-5)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Miss J. J. NUNN
Mr. L. ERRINGTON

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Parliament

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

In discussion the following points were raised:

(a) A Motion had been put down for debate by a back bench Member of the Opposition censuring the Government's policy on Rhodesia. It was for consideration whether this Motion should be merely opposed or whether an amending Motion should be tabled, not on behalf of the Government, but by a Private Member. There was general agreement that the matter should be left for decision by the Prime Minister with the Ministers primarily concerned.

(b) The draft Rating Bill, which was due to be published on the following day, had only come before the Legislation Committee on the preceding Tuesday; and an issue of policy, which was to be considered by the Cabinet under a later item on the agenda, had still not been resolved. The delay in reaching decisions on the content of several Bills was beginning to jeopardise the timetable for the Government's programme of legislation in the current Session.

(c) Lord Silkin had introduced an Abortion Bill in the House of Lords. This went further in a number of respects than the earlier proposals for reform which had been put forward by the Abortion Law Reform Association. In particular, it sought to legalise abortion on grounds connected with the social conditions in which the mother was living; and the effect of such a provision could be regarded as removing, in effect, any restraint on abortions. Moreover, the General Council of the British Medical Association had recently set up a committee to consider the reform of the law relating to abortion and had called upon the Government to refrain from any action in this regard pending the committee's report. There was general agreement that in these circumstances the Government's spokesman should maintain an attitude of strict neutrality towards Lord Silkin's Bill.

The Cabinet—

(1) Took note of the points raised in discussion.

(2) Agreed that the Government spokesman should adopt an attitude of strict neutrality towards the Abortion Bill introduced by Lord Silkin in the House of Lords.

2. The Cabinet resumed their discussion of a note by the Chief Secretary, Treasury (C (65) 157) on the implications for the public sector of the change in the basis of contracting out proposed by the Minister of Pensions and National Insurance.

The Chief Secretary, Treasury, said that it had emerged from the Cabinet's previous discussion that the Minister's proposals for eliminating the anomalies in the present arrangements for contracting out would be liable to provoke strong reactions among a large body
of employees in the public sector, who would be required to pay higher contributions in return for lower pensions; nor, apart from acquiring cover for widow's benefit, would they gain any significant advantage from the new earnings-related short-term benefits. Moreover, the Cabinet's decision on the pay of the Armed Forces had now exposed a new area of sensitivity in this connection. The Minister's proposals, therefore, raised acutely the difficult and controversial problem of abatement of public service pensions by reference to National Insurance provision which had lain unsolved since 1948. Although the change proposed by the Minister was probably inevitable, and the abatement issue must therefore be faced sooner or later, it was arguable whether this was the appropriate time for raising it. If the changes in contracting out were deferred until the Minister's review of national insurance pension provision was complete, it might then be possible to offer the public service employee a better bargain. There was a strong case for leaving the contracting out arrangements unchanged for the time being and for confining the immediate legislation to earnings-related short-term benefits and the small earnings-related contribution of a half per cent which was needed to cover the cost.

The Minister of Pensions and National Insurance said that the Chief Secretary's proposal would not entirely avoid the difficulties on abatement and would create further difficulties of its own. The public service employee would have to pay up to 2s. 1d. a week more for earnings-related short-term benefits from which he was unlikely to receive any great advantage. All the anomalies and inequities of the present arrangements, which the Government had themselves criticised, would be perpetuated; and there would be considerable difficulty in increasing graduated contributions to help to finance the next general increase in benefit so long as the present contracting out arrangements remained. If the next increase in benefits had to be paid for solely by increases in the flat rate contribution, this would limit the amount of increase that could be given, would impose hardship on the lower paid contributors and would be expensive to the Exchequer by reason of the additional proportionate Exchequer supplement thereby attracted. Moreover, the changes in contracting out would incidentally produce extra income which would enable an all-round reduction of 4d. to be made in the flat rate contribution; and this, in turn, would yield a saving of £8 million in the Exchequer's proportionate supplement. Thus, the changes in the arrangements for contracting out which she proposed might well prove no more expensive to the Exchequer than a perpetuation of the present arrangements, even taking account of the concessions which might have to be made in negotiation.

In discussion the following main points were made:

(a) The original proposal to introduce earnings-related unemployment benefit for economic reasons had now been expanded to include changes which, however desirable, had no economic justification. In view of the difficulties which they raised and the large numbers in the public sector who would be adversely affected, it was doubtful whether the Minister's proposals in regard to
contracting out should be grafted on to the proposals for earnings-related short-term benefits, since a better opportunity might later occur in the context of a new national insurance pension scheme.

(b) A contribution increase of no more than one-half per cent for the contracted out might prove tolerable. On the other hand the issue of principle would not be evaded even in relation to the abatement of pension, since the half per cent contribution for earnings-related short-term benefits would, for technical reasons, qualify the contracted out for a small graduated pension also. The difficulty of negotiation on abatement could therefore not be avoided.

(c) If any concession were to be made to mitigate the effect of the Minister’s proposals on public service employees, this would have to take the form of a modification of abatement rather than of compensating improvements in pay.

(d) There might be some precedent in the arrangements made in 1948 whereby abatement in respect of the flat rate national insurance pension was applied only to civil servants becoming established after that date.

(e) The Chief Secretary’s alternative proposal represented a major change in the Minister’s proposals on which she had already consulted the Trades Union Congress (TUC) and other interested bodies. It was arguable whether the intrinsic advantages offered by the Minister’s proposals should be set aside by reason of difficulties expected in negotiation, especially since these would not be entirely avoided by the alternative proposal.

(f) It would not be practicable to achieve an economy in the Minister’s proposals, in order to compensate for the cost of any negotiated settlement with employees’ associations, by omitting provision for earnings-related widow’s allowance, since the latter had been mentioned in The Queen’s Speech.

The Prime Minister, summing up the discussion, said that the Cabinet appeared to be faced with a choice between two courses. The Minister’s proposals for changing the basis of contracting out had certain clear advantages; but the extent of their attendant disadvantages depended on the degree to which it might be possible or necessary to make concessions in negotiation with employees in order to achieve a fair settlement, possibly on the lines of the concession made to existing civil servants in 1948. On the other hand, the Chief Secretary’s alternative proposal, i.e., to leave the contracted out arrangements unchanged and to charge only the additional ½ per cent for short-term benefits, while raising the difficult issue of abatement in a less acute form, would be accompanied by its own disadvantages; and these also required further study. The Social Services Committee should accordingly consider urgently what concessions might have to be made in order to achieve a settlement with the employees’ associations if the Minister’s proposals were adopted. They should also consider the implications of the Chief Secretary’s proposal and should report to the Cabinet where the balance of advantage lay.
The Cabinet—

Invited the Chancellor of the Duchy of Lancaster to arrange for the Ministerial Committee on Social Services to consider urgently the relative advantages of the alternative proposals for those contracted out of the graduated pension scheme, in accordance with the Prime Minister’s summing up of their discussion.

3. The First Secretary of State informed the Cabinet of the current position as regards the dispute in the bakery industry. A proposal by the industry to increase the price of bread had been referred earlier in the year to the National Board for Prices and Incomes. At that time the Bakers’ Union had already put forward a claim for higher wages. The Board had reported that the proposed increase in the price of bread was not justified; and with considerable difficulty it had subsequently been agreed with the industry that the present price should be maintained for a period of six months ending on 6th March, 1966, subject to review on 6th December. It was probably in consequence of this agreement that the bakery firms were resisting any increase of wages in response to the Union’s claim. The Union had resisted the proposal that their wage claim should be referred to the Board; and, although there had at one stage been indications that they might be prepared to consider abandoning the present strike if a Court of Enquiry were appointed, they had finally proved unwilling to do so. Nor had repeated subsequent discussions between himself and the Minister of Labour on the one hand and the President and the General Secretary of the Union on the other enabled any agreement to be reached on a reference to the Board. The Union’s current demand was that they should receive an immediate increase of 20s. a week on basic rates, before they were even willing to start negotiations. This would entail an interim wage increase of between 8½ and 9 per cent; and total earnings might be substantially higher in view of the amount of overtime which was normally worked in the industry. In these circumstances he had decided, in agreement with the Minister of Labour, to take the initiative in referring the wage claim to the Board despite the Union’s opposition; but it seemed clear that, if the Union’s claims were not conceded, there would be an extension of the current strike to a large part of England and Wales.

In discussion there was general agreement that the Government should not at this stage take any further initiative to resolve the dispute or promote emergency arrangements to increase available supplies of bread, save that in accordance with normal practice the Minister of Labour would ask the Executive of the Union to discuss with him whether means could be found of bringing the strike to an end.
The Cabinet—

(1) Took note of the statement by the First Secretary of State.

(2) Agreed that no special measures should be taken by the Government at this stage to increase the supplies of bread which would be available to the public in the areas affected by the strike in the bakery industry.

4. The Cabinet considered memoranda by the Chancellor of the Exchequer (C (65) 160) and the Minister of Housing and Local Government (C (65) 159) on the rate rebates to be provided in the forthcoming Rates Bill.

The Chancellor of the Exchequer said that there were two outstanding questions of policy; (i) whether the "threshold" of rate liability above which the amount payable would be abated by two-thirds should be £6 10s. or £7 10s.; and (ii) whether the income limit for relief for a single person should be £7 or £8 a week. With the higher threshold and the lower income limit there would be savings of £3-£4 million to the Exchequer and of £1-£1.1 million to the rates. The reduction in the relief given to individuals by raising the threshold to £7 10s. would be 13s. 4d. a year or only 3d. a week. As to the income limit, £8 a week would imply a substantially larger differential between the level for the single person and that for the married couple than applied in the fields of income tax, national insurance and national assistance; and it was significant that, while the Committee on the Impact of Rates on Households (the Allen Committee) had said that rates pressed particularly hard on single retired householders, they had quoted figures to show that the average income of all retired single householders was substantially below £7 a week. In relation to the substantial relief which either set of proposals would give to the individual ratepayer the difference between them was not sufficient to justify additional expenditure at a time when economy in public expenditure was particularly important.

The Minister of Housing and Local Government said that the purpose of the rebate scheme was to reduce the proportion of household income which was absorbed by rates in the lower income groups, where rates bore particularly heavily. The original proposal had envisaged the threshold at a level of £5; but, in deference to the views of the Chancellor of the Exchequer, he had agreed that it should be raised to £6 10s. This would reduce the numbers who qualified for relief by some 150,000; but to raise the threshold to £7 10s. would exclude a further 100,000. As regards the income limit, the greater differential in favour of the single person could be justified by the fact that it was on single persons, particularly widows and widowers of retirement age, that the burden of rates fell most heavily. Under the Chancellor of the Exchequer's proposals a single person with an income of £8 a week and a rate bill of £40 would be devoting
7.5 per cent of income to rates, compared with an average of 2.6 per cent for all income groups. To reduce the income limit from £8 to £7 would debar a further 150,000 householders from relief—

with the result that nearly 400,000 of an estimated 2.4 million beneficiaries would be excluded from the scheme. It was not worth creating an additional category of hardship in order to save £3-£4 million out of a total cost of £23 million to the Exchequer.

In discussion it was suggested that it would be wise to fix a relatively low income limit at the outset in view of the power which the Rating Bill would confer on the Minister of Housing and Local Government to vary the limit by Order and of the fact that the scheme would be open to the criticism that it operated unfairly as between one individual and another because the test of income took no account of capital resources. Moreover, the reliability of the figures quoted by the Allen Committee was open to doubt. In particular, it was not clear that there were large numbers of people at the lower end of the income range who would be eligible for rebates, because most of those with incomes of about £6 a week would be in receipt of national assistance. On the other hand elderly people with small incomes, whom the scheme was designed to assist, constituted the section of the community whose needs appeared to be greatest and for whom, given the deferment of the income guarantee scheme, little relief was being provided. The publication of the Survey of Retirement Pensions in January would reactivate pressure on behalf of the considerable numbers who were now living below national assistance level but were unwilling to claim assistance; and it would be desirable that the Government should be in a position to point to some effective means, such as the present proposals, for helping them.

After further discussion it was suggested that the income limit would have greater significance for the single person of small means than the figure set for the threshold of rate liability. The saving of £2 million resulting from raising the threshold to £7 10s. should therefore be made; but the income limit should be fixed at £8 a week for a single person.

The Cabinet—

Agreed that, for purposes of the Rating Bill, the minimum rate liability should be £7 10s. a year and the income limit for full relief for a single person £8 a week.

5. The Cabinet considered a memorandum by the Secretary of State for Education and Science (C (65) 155) on the establishment of a Public Schools Commission.

The Secretary of State for Education and Science recalled that The Queen's Speech on the Opening of Parliament had stated the Government's intention of setting up a Public Schools Commission to advise on the best way of integrating the public schools with the State system. It remained to consider the scope and terms of reference of the Commission. It was proposed to define public schools for this
purpose as independent schools in membership of the Headmasters’ Conference, Governing Bodies’ Association or Governing Bodies of Girls’ Schools Association. The effect of this would be to exclude direct grant schools and private schools not in membership of the bodies in question. It was desirable to exclude the direct grant schools because they were already in a sense part of the public sector and their role in local schemes for comprehensive education should be worked out in direct negotiation with the local education authorities. The private schools presented no urgent problem, but it was proposed that the Commission should be asked in general terms to recommend whether any action was needed in respect of them. The tasks explicitly laid on the Commission would be to collect information about the schools, with an emphasis on the provision and the need for boarding education; to work out with those concerned the part which individual schools should play in national and local schemes of integration; to initiate, if it so wished, but subject to the approval of the Minister, experimental schemes; and to recommend a national plan for integrating the public schools with the maintained sector. In order to obviate the risk of the Commission making unacceptable recommendations, it was desirable also to specify the objectives to which they should have regard. These should include satisfying the need for boarding education; reducing the divisive influence of the schools by providing for a socially mixed entry and a progressively wider range of academic attainment; and ensuring that in the long run entry to public schools should cease to be dependent on parental means.

It was proposed that the Commission should consist of a paid half-time Chairman, and possibly Deputy Chairman, and about twelve others drawn from, but not representing, the interested parties, with one or two independent members. The servicing of the Commission by the Department of Education and Science might cost some £55,000 a year. The cost of the experiments—perhaps £100,000 in the first year and not more than £400,000 in the second—was expected to be borne by the local authorities. Expenditure resulting from the Commission’s recommendations could not arise for two or three years. As to other measures in relation to public schools, there appeared to be little to be gained by applying the teacher quota, although the Commission should be asked to examine this possibility. The question of eliminating tax privileges was under discussion with the Treasury; but the abolition of the relief from rates which those public schools which were charities enjoyed in common with other charities would appear to be invidious. The question of persuading the Oxford and Cambridge colleges to give fewer places to students from public schools would be pursued in the light of the report of the Commission of Inquiry into Oxford University, under the chairmanship of Lord Franks.

In discussion the following main points were made:

(a) It would be important to make clear, as paragraph 4 (e) of the proposed terms of reference did, that the Government would not consider acceptable recommendations which amounted to no more
than an extension of the scheme for the entry to public schools of a proportion of pupils from State schools recommended by the Committee on Public Schools (the Fleming Committee).

(b) The questions of tax privileges and of rating relief raised issues of policy which would need to be considered in a wider context. Rating relief for public schools might be considered in conjunction with the problem of the re-rating of the Oxford and Cambridge colleges.

(c) It would be desirable to include among the members of the Commission persons from outside the educational system with practical experience of administration.

The Prime Minister, summing up the discussion, said that the Cabinet were in agreement with the terms of reference and the guiding principles which it was proposed to give the Public Schools Commission. The Secretary of State for Education and Science should show them in confidence to the prospective Chairman of the Commission and feel free to accept any minor amendments of drafting which he might suggest; but any major amendment would need to be referred to the Cabinet.

The Cabinet—

Approved, subject to minor amendments of drafting, the terms of reference for the Public Schools Commission set out in the Annex to C (65) 155.
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Monday, 29th November, 1965,
at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence
The Right Hon. ARTHUR BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for Wales
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science
The Right Hon. DOUGLAS HOUGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. FRANK COUSINS, M.P., Minister of Technology
The Right Hon. FREDERICK LEE, M.P., Minister of Power
The Right Hon. HERBERT BOWDEN, M.P., Lord President of the Council
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. Sir FRANK SOKRICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. R. J. GUNTER, M.P., Minister of Housing and Local Government
The Right Hon. TOM FRASER, M.P., Minister of Transport
The Right Hon. BARBARA CASTLE, M.P., Minister of Overseas Development

Also present:
Mr. GEORGE THOMSON, M.P., Minister of State for Foreign Affairs

Secretariat:
SIR BURKE TREND
MR. D. S. LASKEY
MR. J. H. LOCKE

SECRET
Subject
RHODESIA: AID TO ZAMBIA
The Prime Minister said that he had received from the President of Zambia, President Kaunda, a request that United Kingdom forces should be stationed in Zambia both in order to safeguard the power station at Kariba and to protect the country against attack by the Rhodesian Air Force. It was clear that President Kaunda was under heavy pressure both within Zambia itself and from the Organisation for African Unity (OAU) to accept forces in Zambia from member States of the OAU and, possibly, from the Soviet Union or Communist China. Hitherto, he had succeeded in resisting this pressure, with support from President Kenyatta and President Nyerere, in the hope that he could rely on the United Kingdom for help. But if we rejected his request completely, he might be overthrown; and there would then be no obstacle to the outbreak of a racialist war which could lead to the disintegration of the Commonwealth and would expose the whole of Central Africa to Communist infiltration and subversion.

Preparations had therefore been made to enable us to send a squadron of Javelin fighters, with the necessary radar equipment, into Zambia at short notice if the decision to do so were taken. Their purpose would be twofold. First, by pre-empting the Zambian airfields, they would prevent the arrival of air forces of other countries, whose motives would be less creditable; and from this point of view we should need to make it a condition of the operation that forces of other countries would not be admitted to Zambia without our agreement and that we should be given operational control over all the main Zambian airfields. Second, by providing Zambia with some protection against Rhodesian attack, the Javelin squadrons would strengthen Zambian morale and would reinforce President Kaunda's political position. In the latter role, however, their function would be purely defensive; and they would be committed to action only in the event of a Rhodesian attack. There must be some risk that the Rhodesian Air Force itself would attempt to launch a pre-emptive attack against the Javelin squadron before it was fully operational; and in order to provide a deterrent against such an attempt HMS Eagle, with an air strike capability, had been secretly moved from the Far East to a position off the East African coast. It was intended that the Commanders of the Rhodesian Air Force and of the Rhodesian Army should be informed of our intentions, through the Governor, an hour or two before the Javelin squadron reached Zambia; and this should help to prevent any precipitate reaction by Rhodesia to an operation which the Rhodesian régime might otherwise interpret as a threat to themselves.

We could not agree, however, to accede to President Kaunda's second request, namely that United Kingdom ground forces should be sent to Zambia to protect the power supplies from Kariba, since the Kariba power station was situated on the Rhodesian bank of the Zambesi River and an attempt to seize it would therefore constitute an invasion of Rhodesia which might well be resisted by
Rhodesian forces. Moreover, there was some reason to believe that the power station had been mined by the Rhodesian authorities; and, if we attacked it, we might therefore precipitate the catastrophe which our intervention would have been intended to prevent.

It must be accepted that the despatch of the Javelin squadron to Zambia might mark the first stage in a new and developing commitment; and it would therefore be even more important that we should now adopt further economic and financial measures designed to bring the rebellion in Rhodesia to an end as rapidly as possible. In particular, the possibility of instituting an oil embargo, at least to the extent of preventing the delivery of crude oil to Beira or the use of the pipeline from Beira to Rhodesia, was under urgent study. In order to be effective, however, this would probably require collective international action; and urgent discussions with the United States Government were now in progress. We should also need to discuss with the United States authorities President Kaunda's request for financial and economic assistance in relation to contingency planning against economic warfare between Zambia and Rhodesia, since this, too, was an enterprise which we could not undertake by our own unaided efforts.

The Secretary of State for Defence said that, if an immediate decision were taken, the Javelin squadron could be at Ndola airfield in Zambia in the early afternoon of 30th November. Sea Vixen fighters from HMS Eagle could, if necessary, arrive rather sooner; but they would be less effective for the purpose envisaged and would delay the subsequent arrival of the Javelins. The radar equipment required would be fully operational at Lusaka airfield by the evening of 1st December. Detachments of the RAF Regiment would be stationed at Ndola and Lusaka in order to protect the aircraft and radar and might also be sent to Livingstone, which we might need to use as a diversionary airfield. The Javelin fighters could not necessarily prevent an air attack on Zambia by Rhodesia; but they were superior to the aircraft of the Rhodesian Air Force and their presence would constitute a considerable deterrent to any attack on Zambia since this would be an act of war against the United Kingdom.

In discussion it was recognised that the proposed operation, by monopolising a large part of the airfield capacity of Zambia, would inevitably reduce the effectiveness of any airlift which might subsequently be necessary in order to support the Zambian economy. It was also suggested that one motive for President Kaunda's request might be a desire to involve the United Kingdom by degrees in military operations against Rhodesia and that, however much we might seek to evade pressure of this kind by emphasising that the role of the Javelin squadron would be purely defensive, we might find it impossible to rest in this posture if our economic measures against Rhodesia did not prove effective sufficiently rapidly. To this extent the need for some further military action might be held to be implicit in the initial limited operation which was now envisaged. On the other hand this would not necessarily prove to be so.
Moreover, if we refused all President Kaunda’s requests, he might well be unable to resist extremist pressures in Zambia and in the OAU; and we might then lose control of a situation which, if we held the Zambian airfields, we might still hope to stabilise. If so, however, the operation now in question would have to be supported by an intensification of other measures designed to bring about the early downfall of the illegal Rhodesian régime; otherwise we should be subjected to increasing pressure to send ground, as well as air, forces to Zambia and eventually to undertake military action against Rhodesia. There was now reason to believe that public opinion in the United Kingdom expected further action by the Government and would support the despatch of air forces to Zambia and the adoption of more stringent economic and financial measures against Rhodesia.

The Prime Minister, summing up the discussion, said that the Cabinet agreed that a United Kingdom fighter squadron should be sent to Zambia in answer to President Kaunda’s request. He would announce this decision in the House of Commons on 30th November. The intensification of other measures against Rhodesia should now be considered by the Ministers principally concerned; and the outcome should be reported to the Cabinet as rapidly as possible. The possibility of instituting an oil embargo should be further explored in consultation with the United States Government; and a decision should be taken during the week, if possible, since we had already initiated temporary action to prevent supplies of crude oil from reaching Beira, but could not sustain ad hoc measures of this kind in the absence of international collaboration. It would, however, be essential to confirm that the Government of Zambia would endorse an oil embargo against Rhodesia and would accept its inevitable consequences for Zambia itself. It would also be important that public opinion should not be encouraged to expect the imposition of an oil embargo unless it could be shown that it would be applied collectively and would be effective in its operation.

The Cabinet—

(1) Agreed that United Kingdom air forces should be sent to Zambia on the lines proposed in their discussion.

(2) Invited the First Secretary of State and the Chancellor of the Exchequer, in consultation with the other Ministers concerned, to submit, as rapidly as possible, proposals for the intensification of economic and financial measures against Rhodesia.

Cabinet Office, S.W.1,
29th November, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 30th November, 1965, at 10.30 a.m.

Present:

The Right Hon. Harold Wilson, M.P., Prime Minister (Items 1 and 2)

The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs (In the Chair for Items 3 and 4)

The Right Hon. Lord Gardiner, Lord Chancellor

The Right Hon. Denis Healey, M.P., Secretary of State for Defence (Items 1-3)

The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations

The Right Hon. James Griffiths, M.P., Secretary of State for Wales

The Right Hon. Douglas Jay, M.P., President of the Board of Trade

The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science

The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster

The Right Hon. Frank Cousins, M.P., Minister of Technology

The Right Hon. Frederick Lee, M.P., Minister of Power

The Right Hon. Herbert Bowden, M.P., Lord President of the Council

The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer

The Right Hon. Sir Frank Soskice, O.C., M.P., Secretary of State for the Home Department

The Right Hon. William Ross, M.P., Secretary of State for Scotland

The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies

The Right Hon. The Earl of Longford, Lord Privy Seal

The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government (Items 1-3)

The Right Hon. R. J. Gunter, M.P., Minister of Labour

The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. Tom Fraser, M.P., Minister of Transport

The Right Hon. Barbara Castle, M.P., Minister of Overseas Development (Items 1 and 2)
The following were also present:

The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury
Mr. GEORGE THOMSON, M.P., Minister of State for Foreign Affairs
The Right Hon. Sir ELWYN JONES, Q.C., M.P., Attorney-General (items 1-3)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

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**Secretariat:**
Sir BURKE TREND
Mr. P. ROGERS
Mr. J. H. LOCKE
Mr. L. ERRINGTON

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*1. The Prime Minister said that President Kaunda and some of his leading Ministers had been informed on the previous day of the Government's agreement to send RAF fighters and a detachment of the RAF Regiment to Zambia, subject to the conditions on which the Cabinet had decided at their previous meeting. The completion of this action had, however, been deferred, although the Javelins had been sent as far as Nairobi, since President Kaunda's reply raised further issues which the Cabinet would need to consider. The President, while expressing appreciation of our willingness to provide air cover, maintained that the Zambian request in relation to the safeguarding of the Kariba power supply had not been met. In these circumstances he felt unable to agree to the understanding which we had requested that no land forces from other nations should be accepted in Zambia, save with our agreement. It was clear that the Zambia Government were still obsessed by the fear that the illegal régime in Rhodesia might strike a vital blow at them by cutting off the supply of electric power from Kariba and was also under heavy pressure from other nations in the Organisation for African Unity (OAU) to accept the stationing of their troops in Zambia. It appeared that the danger of the latter action being taken was now considerably greater than had previously been supposed, since, when we had sought the agreement of the Government of the United Arab Republic to overflying their territory with unarmed military units for the purpose of sending forces to Zambia, permission had been refused on the ground that African countries had already offered troops to Zambia and that there was now no requirement for United Kingdom troops. In considering the further issues which arose from the President's reply we might properly bear in mind that the cutting off by the illegal régime of the supply of electric power to the Zambian copper mines would cause severe damage not only to Zambia but also to the United Kingdom. If this occurred it appeared that we could not expect any substantial help from the United States in view of their existing preoccupation with the shortage of copper arising from the effects of hostilities in Vietnam. In these circumstances it might well be thought right that we should make it clear to the illegal régime that if they were to switch off supplies of electric power we would take the appropriate retaliatory action and arrange to cut off their own electric power supplies from Kariba.

In response to President Kaunda's reply we might therefore inform him to this effect and also agree that we would send a battalion of United Kingdom troops to be stationed in Ndola and Lusaka, that is, at some considerable distance from the Zambian frontier with Rhodesia. This should be on the firm understanding that in no circumstances would they be used for an attack on Rhodesia and that the Zambian Government would not allow the

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* Previously recorded in a Confidential Annex.
air or ground forces of other nations to be stationed in Zambia without our consent.

In discussion there was general agreement that the damage which would be caused to the United Kingdom economy by switching off the supply of electric power from Kariba to the Zambian copper mines was such as to provide reasonable justification for retaliatory action on our part of the kind which was contemplated and which would fail short of a military attack on Rhodesia. It was for consideration whether at this stage the threat of such action should be openly declared or whether it would not be better in the first instance to convey it privately to the illegal régime and to inform President Kaunda and the members of his Cabinet that we had done so. While it was extremely probable that this information would shortly thereafter become generally known, this might be preferable to a public statement at the present stage. It was, however, the general view that the best course would be to make clear publicly the extent of the damage which would be caused to our economy if power supplies to the Zambian copper mines were to be cut off and to state that in these circumstances the Government were not prepared to see such action taken by the illegal régime.

The Prime Minister, summing up the discussion, said that there was general agreement that in addition to the despatch of RAF fighters, we should also send a battalion of United Kingdom troops to be stationed at Ndola and Lusaka, provided the Zambian Government gave an assurance that no air or ground forces of other nations would be accepted in Zambia without our consent and provided that it was clearly understood that in no circumstances would our forces be used for an attack on Rhodesia. We should also inform President Kaunda that we would not stand idly by if the illegal régime in Rhodesia were to cut off the supply of electric power to the Zambian copper mines. Any public statement on our action must, however, await the notification of President Kaunda’s acceptance of these conditions. In addition we should consider what, if any, comparable action we might take if the illegal régime were to cut off supplies of coal from the Wankie collieries to the Zambian copper mines. Meanwhile, our planning for a possible airlift to Zambia should continue, but it was now less likely to be required save in respect of supplies of oil, if an oil embargo were later to be enforced.

The Cabinet—

(1) Agreed that a battalion of United Kingdom troops should be sent to Zambia in addition to RAF fighters on the conditions indicated by the Prime Minister, subject to their acceptance by the Zambian Government.

(2) Agreed that, subject to the outcome of Conclusion (1), it should also be stated publicly that the Government were not prepared to accept action by the illegal régime to switch off the supply of electric power from Kariba to the Zambian copper mines.
(3) Invited the Commonwealth Secretary, in consultation with the other Ministers concerned, to consider whether similar action to that envisaged in Conclusion (2) might appropriately be taken in respect of supplies of coal from the Wankie collieries to the copper mines.

The Cabinet considered a note by the Secretary of State for Commonwealth Relations (C (65) 161), to which was attached a note by officials, on help for loyal civil servants in Rhodesia.

The Commonwealth Secretary said that there had been inter-departmental discussion of measures that might be taken to help public servants in Rhodesia who lost their employment because of the illegal character of the present régime. It was proposed to pay the salaries of such officers for six months if they left Rhodesia and to guarantee the pensions of all. Apart however from the Governor and the members of the judiciary the present proposals did not provide for any guarantee of salary for officers who lost their employment on this account, but who remained in Rhodesia. There were strong arguments for guaranteeing either the payment of salary in such cases or some later reimbursement which would not be less than was proposed for officers who left the country. Further consideration should also be given to the payment of salaries after the six months period and to guaranteeing the continuing accrual of pension rights after the date on which officers vacated or were dismissed from their offices.

In discussion it was suggested that the maximum publicity should be given to the institution of a scheme on the lines of that proposed and that loyal civil servants should be induced to leave their work in order to achieve the quickest possible disintegration of the illegal régime. It was, however, the general view that, since the other measures being taken by the Government were aimed at achieving the quickest possible end to the rebellion, it would be preferable that loyal civil servants should, subject to their not being called upon to perform illegal acts or acts contrary to their conscience, remain at their posts in order that a capable and well-disposed service should be available to maintain the administration of the Government when the Constitution had been effectively restored.

The Prime Minister, summing up the discussion, said that there was general agreement that measures should be taken on the lines contemplated in C (65) 161. Further consideration should be given to the details by the Ministers primarily concerned with a view to establishing appropriate machinery for dealing with individual cases in accordance with these principles. At this stage we should avoid any public statement of our proposals. It would also be necessary to give further consideration to the appropriate Vote on which the expenditure involved should be borne.
The Cabinet—

(1) Invited the Commonwealth Secretary, in consultation with the Minister of Overseas Development and the Chief Secretary, Treasury, to give further consideration to the provision of help for loyal civil servants in Rhodesia on the lines indicated by the Prime Minister.

The First Secretary of State said that the Ministers directly concerned, under his Chairmanship, had agreed on the previous day on the further steps which should be taken to intensify the economic pressure being exerted on the Rhodesian economy. So far we had banned the import of tobacco and sugar from Rhodesia. This ban affected about 20 per cent of all Rhodesian exports. We had been pressing other Governments to take similar action and were having considerable success. If all countries banned Rhodesian sugar and tobacco, about 40 per cent of Rhodesian exports would be affected. It was now proposed to extend the ban on imports from Rhodesia to cover agricultural products (of which meat was the most important) and also minerals and metals. Of these asbestos was the most important. It would be necessary to seek alternative sources of supply for asbestos for the United Kingdom and it would be important to see that the United Kingdom firm, Turner and Newall, who controlled through a subsidiary company nearly all the Rhodesian supplies, did not take action to re-arrange their business in such a way as to frustrate completely the effect of our action on the Rhodesian economy. Our other imports of minerals and metals from Rhodesia were not important to our economy. The extension of the import ban would, in fact, cover virtually the whole of our imports from Rhodesia. It was not proposed, however, to ban all imports completely, since this would make it politically almost impossible for Zambia not to do the same. Zambia was at present so dependent on imports of coal and manufactures from Rhodesia that the introduction of a complete ban immediately would disrupt the Zambian economy before arrangements could be made to get alternative supplies from elsewhere.

The extension of the ban on imports by the United Kingdom would not in itself have a further major effect on the Rhodesian economy. It was, however, desirable to take this action unilaterally in order to demonstrate the Government's determination to deal with the situation and to give an answer to criticism that we were not doing enough. The extension would also produce considerable confusion immediately in production and trade in Rhodesia and would form the basis for pressure on other Governments to take similar measures.

As regards exports to Rhodesia from the United Kingdom it had been decided that there would be no advantage at this stage in introducing either a complete ban or a selective ban on United Kingdom exports alone. A list was being drawn up of exports which were particularly important to the Rhodesian economy and approaches would be made to the United States Government and
other major exporters to see if they would co-operate in a joint ban on exports of these products. If this failed, we should have to consider our own action further; but we could not expect to produce major effects on the Rhodesian economy by our own action alone, since alternative sources of supply would soon be found by Rhodesia.

Exports of oil to Rhodesia presented a special problem. We were continuing our efforts to persuade the United States Government to join us in organising an oil embargo which would be largely, even if not completely, effective in stopping supplies to Rhodesia. Discussion at the official level the previous week, and a meeting which he and other Ministers had had with Mr. Mann of the United States State Department that morning, had, however, been extremely discouraging. Unilateral action by the United Kingdom alone would be quite ineffective in reducing oil supplies to Rhodesia. It was, however, difficult to explain why United Kingdom tankers were delivering oil for Rhodesia at a time when we were taking severe measures to disrupt the Rhodesian economy. Arrangements had been made to delay for a few days the next United Kingdom tanker sailing for Rhodesia. But unless the United States could be brought to co-operate with us and to help in putting pressure on the French and other Governments concerned, it would seem inevitable that we should drop for the present our efforts to delay the arrival of tankers with supplies for Rhodesia. United States assistance was required also in the organisation of an airlift to Zambia to be put into effect as soon as Rhodesia ceased to supply oil to Zambia, which would happen if we introduced an oil embargo.

Preparations were continuing to ensure the economic survival of Zambia if economic warfare broke out between Rhodesia and Zambia. In addition to preparing for an airlift, expenditure would also be incurred on the improvement of other land routes to Zambia. Sir Norman Kipping had visited Zambia at our request in order to explore the possibilities of replacing Rhodesia as a source of imports, particularly of manufactured goods. His report (which had just been received) was optimistic about the possibility of changing the source of supply of a substantial proportion of Zambia's imports of manufactures over a period of three to six months. If this were done, it would seriously damage manufacturing industry in Rhodesia since about a third of its production was exported to Zambia.

In discussion there was general agreement with the action proposed by the First Secretary of State. The extension of the ban on imports from Rhodesia to cover agricultural products, metals and minerals might suitably be announced in the House of Commons on 1st December. It would be important to make use of this virtual ban on Rhodesia's export trade with the United Kingdom in order to exert the maximum pressure on other Governments to follow our lead. The United States Government showed no signs of being ready to assist us with our economic
Proposals for Intensified Financial Measures

measures and it might be impossible to move them until the forthcoming meeting between the Prime Minister and President Johnson. It was, however, particularly important to secure United States co-operation since, without it, that of other major countries would not be forthcoming. We should not rest content with simply banning the import of Rhodesian products into the United Kingdom but should seek to make it as difficult as possible for the Rhodesians to evade the ban. Action had already been taken in order to try to prevent Rhodesian tobacco being sold through South Africa. As regards asbestos, a meeting had been arranged with Turner and Newall. It might also be necessary to consider measures to prevent the major United Kingdom tobacco firms disposing of their factories in Rhodesia in a manner which might frustrate our ban on tobacco imports. Consideration should also be given to preventing the cargo of sugar which had been stopped from entering the United States from reaching any alternative market.

The Cabinet—

(2) Agreed that the measures proposed by the First Secretary of State to intensify the economic pressure against Rhodesia should now be taken.

(3) Invited the President of the Board of Trade to arrange for the extension of the ban on imports from Rhodesia into the United Kingdom to be introduced on 1st December.

(4) Invited the Secretary of State for Commonwealth Relations and the Minister of State for Foreign Affairs to bring the maximum pressure to bear on other Governments to take similar action.

(5) Invited the President of the Board of Trade to consider whether steps should be taken on the lines indicated in discussion to prevent the disposal of tobacco factories in Rhodesia belonging to United Kingdom firms in a manner which might frustrate the ban on tobacco imports.

(6) Invited the First Secretary of State, in consultation with the Minister of Agriculture and the Attorney-General, to consider how best to prevent the cargo of Rhodesian sugar now on the high seas from finding a market.

The Cabinet considered a memorandum by the Chancellor of the Exchequer (C (65) 163) setting out proposals for bringing further financial pressure to bear on Rhodesia.

The Chancellor of the Exchequer said that the measures listed in his paper were intended to bring the maximum pressure to bear as soon as possible on the Rhodesian economy. Financial measures must be regarded as having a supporting role in relation to measures directly affecting Rhodesian trade. By themselves they might not be effective. He was still considering the alternative courses listed in paragraph 3 of taking action to exercise control over the Reserve Bank of Rhodesia. It would be valuable to obtain a legal basis on
which to control the use of the bank’s balances held outside London. The action proposed would certainly lead to banks abroad that held Rhodesian balances freezing the operation of the accounts while the legal position was examined. To replace the Governor and Director of the Rhodesian Reserve Bank by United Kingdom nominees would involve accepting responsibility for managing the day to day operations of the bank in Rhodesia itself but would be more effective by giving us full control. He was considering possible appointments to the posts of Governor and Directors of the bank.

In discussion there was general agreement that the financial measures affecting Rhodesia should be greatly strengthened and that we must accept that they would involve individuals and firms in Rhodesia in hardship. It was however essential to show the Government’s determination to establish a legal Government in Rhodesia as soon as possible. The presentation of the measures should be framed primarily with a view to obtaining the best possible effect in Rhodesia itself.

In discussion of the individual proposals the following points were made:

(a) Proposal (iii) involved a ban on new United Kingdom insurance business with Rhodesia which it would be illogical to impose until such time as we decided to stop all trade with Rhodesia.

(b) Proposal (iv), which would stop transfers of Rhodesian security sterling from one Rhodesian to another, would have repercussions out of proportion to its value in intensifying pressure on Rhodesia and should not be pursued.

(c) Proposal (v), which would restrict the transfer of securities held by the Reserve Bank of Rhodesia, would be unnecessary if control over the Reserve Bank were assumed.

(d) Proposal (vii), which would stop all cash gifts by United Kingdom residents to Rhodesia, should not be pursued at present but should be reconsidered after Christmas.

(e) Proposal (x) would prevent United Kingdom banks operating in Rhodesia from obtaining overdrafts in London. The repercussions of allowing a United Kingdom bank in Rhodesia to default through inability to obtain an overdraft in London might be considerable but on balance it would probably be desirable to proceed with this measure.

(f) Proposals (xiii) and (xiv) would prevent payments by United Kingdom residents to Rhodesia which were not definite contractual commitments and would put a temporary stop to contractual payments to Rhodesia, including Government contractual payments. About 300 people receiving United Kingdom Government pensions would be affected. Although these measures might create hardship in the case of certain individuals in Rhodesia, it was agreed that they should be introduced and that the individuals concerned must look to the illegal régime to take action to assist them and not to the United Kingdom Government. It would be
important to emphasise in Rhodesia that the money concerned in contractual payments would be held in suspense accounts in London and would be paid out immediately a constitutional Government was restored in Rhodesia.

(g) There was general agreement that action should be taken to exercise control over the Reserve Bank of Rhodesia, subject to further consideration of the best means of doing so.

(h) It might be preferable that the new measures should be announced in a statement to the Press by the Chancellor of the Exchequer on 1st December rather than in the Debate that day in the House of Commons, since the details were complex and technical. The decision in relation to the Reserve Bank of Rhodesia should not be announced on 1st December but later in the week when its impact might be greater.

The Cabinet—

(7) Agreed that the measures set out in C (65) 163 should be introduced with the exception of (iii), (iv), (v), (vii) and (x).

(8) Agreed in principle that the measure listed at (x) should be introduced, subject to further consideration by the Chancellor of the Exchequer of its implications for United Kingdom banking interests generally.

(9) Agreed that these measures should be announced on 1st December.

(10) Agreed that control should be taken over the Reserve Bank of Rhodesia in the way considered most appropriate by the Chancellor of the Exchequer; and that this should be announced later in the week.

2. The Cabinet considered memoranda by the First Secretary of State (C (65) 162) and the Chancellor of the Exchequer (C (65) 165) about the possibility of the Government taking over the Fairfields Shipyard.

The First Secretary of State said that at their meeting on 3rd November the Cabinet had agreed to guarantee an advance by the Bank of England of up to £1 million to Fairfields in order to keep the yard in full operation until Ministers had had an opportunity to consider the report of the Geddes Committee of Enquiry on Shipbuilding. It was now clear that this limited action would not suffice to keep the yard in operation until the report became available. Four of the five berths were at present vacant. The yard had contracts for the construction of two bulk carriers for Reardon Smith; but this firm had indicated that they would want to place their contracts elsewhere unless the Receiver of Fairfields could give them an assurance by 2nd December that, once the ships were started, Fairfields would carry them through to completion. The Receiver did not feel that in default of further measures of assistance he could give such an
assurance. There were therefore three choices before the Government. They could refuse to give any commitments running beyond 31st March, 1966, in which case the yard would almost certainly close down; they could extend the guarantees given to the Receiver; or they could take over the yard. The best course might be to take over the yard, putting in a completely new management and seeking to secure co-operation from the trade unions in the removal of restrictive practices. The Amalgamated Engineering Union and the Electrical Trades Union had told him that they believed Fairfields offered an opportunity for an agreement by the unions which would greatly increase productivity. Although it was not possible to be sure that the enterprise would, in fact, prosper under Government ownership, there was a reasonable chance that it would prove successful. It would be better to take this risk than to allow the yard to be closed down.

The Chancellor of the Exchequer said that it would be imprudent for the Government to take over control of the existing company which had large debts and contracts which offered little chance of profit. It would however be desirable to keep the yard in operation and this might best be achieved through the Government buying the physical assets of the shipyard at the lowest price for which they could be obtained from what was, in fact, a bankrupt company. If necessary the price might be fixed by arbitration. It would be preferable for the Government to act in association with private industry, possibly through Sir Isaac Wolfson. In that event Reardon Smith might be persuaded to wait for a few days beyond 2nd December for a decision.

In discussion there was general agreement that it would be desirable for the Government to acquire the physical assets of the Fairfields shipyard at the lowest price for which they could be obtained. It would not be necessary or desirable to secure all the assets of the group of companies involved. The objective should be to acquire the yard without interrupting its operation, since the latter would lead to the disruption of the labour force and to difficulties over contracts. The Government should seek to co-operate with private capital in the acquisition of the yard and, if Sir Isaac Wolfson were really interested in such a co-operative venture, it might be desirable to allow him to carry on the actual negotiations on a basis to be agreed with the Government. If, however, neither he nor any other substantial private interest were prepared to proceed, the Government should acquire the assets on their own. It would be essential to put in a new and progressive management which would establish good labour relations. The trade unions concerned should be kept in touch with developments and their agreement in principle to the abandonment of restrictive practices would be an essential accompaniment to the Government's action. Even so, it would be dangerous to assume that the enterprise would prove profitable for several years, particularly since there was some doubt whether it was located in the best place for a shipyard or whether it had been laid out in an ideal manner.
Legislation would be required. The question of whether or not to proceed with the Navy Department's contract for a destroyer could be decided later.

The Cabinet—

(1) Agreed that the Government should seek to acquire the physical assets of the Fairfields shipyard, preferably in co-operation with private capital, on the lines indicated in their discussion.

(2) Invited the First Secretary of State, in consultation with the Chancellor of the Exchequer, the President of the Board of Trade, the Secretary of State for Scotland and the Attorney-General, to pursue the necessary negotiations.

3. The Minister of Labour said that the Baker's Union were still adamant in their determination not to submit their case for a wage increase to the National Board for Prices and Incomes. They required an initial increase of 20s. a week, not as an interim payment but as a step towards a further increase coupled with the reduction of overtime, before they would even begin negotiations. The Government were now in the dilemma that, since they had already taken action to refer this wage claim to the Board, the institution of normal conciliation proceedings by the Minister of Labour would appear to prejudice the position of the Board and thereby damage the Government's policy on prices and incomes. If, on the other hand, the machinery for conciliation were not employed, then the Baker's Union might call what they termed a "national strike", though the exact meaning of this term in the present instance was not clear and it might involve no more than a temporary nation-wide stoppage in the industry.

The First Secretary of State said that, if the Government were now to withdraw their reference of the claim to the Board, or to take action which prejudiced the Board's consideration of it, this would be a clear indication to other trade unions that they could, by threatening strike action, make nugatory any reference of wage claims to the Board. If, however, the Government did not take such action they must be prepared to face the risk of strikes. The only possible compromise which might be available was for the Government to take action on lines similar to that which had been taken in respect of the claim by the railway unions and see if the bakery firms and the union could be induced to start negotiations which could reach agreement on an initial increase of wages of some 3½ per cent, that is the "norm" which was envisaged by the prices and incomes policy, to be followed by reference of the claim to the Board for their opinion on what, if any, further increase was justified. Even this action, however, would inevitably involve an increase in the price of bread, certainly of a halfpenny a loaf and perhaps of a penny, when the review of the existing price took place on 6th December.
In discussion it was argued that the action being taken by the Government to refer a number of wage claims to the Board was incurring the risk of the Board increasingly being viewed as a substitute for normal industrial arbitration machinery. It was not designed or suited for such a task and the continuation of this course might therefore prejudice the future standing of the Board and the Government's policy on prices and incomes. On the other hand, it was recognised that the Government's action in referring the present claim to the Board had been necessary in the absence of any indication by the Union of willingness to accept the use of conciliation machinery, or arbitration. It was also recognised that in the present instance there was the additional complication that the employers might be ready to grant a substantial increase of wages provided that they were enabled to increase the price of bread. In these circumstances, any further action by the Government which seriously compromised the position of the Board might seriously damage the prices and incomes policy and hence necessitate a radical change in the Government's current policy relating to the level of activity in the economy as a whole.

The First Secretary of State, summing up the discussion, said that there was general agreement that in the first instance the Minister of Labour should seek the agreement of employers and of the union to negotiations which might lead to the payment of a wage increase of the order of 3½ per cent on condition that the union's claim for a higher increase would then be referred to the Board by the parties concerned. If agreement could not be reached on this basis the Cabinet would wish to consider the matter further.

The Cabinet—

Invited the Minister of Labour to take action in the sense indicated in the summing up by the First Secretary of State.

Cabinet Office, S.W.1.
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 2nd December, 1965.
at 10.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor
The Right Hon. Denis Healey, M.P., Secretary of State for Defence
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. Tom Fraser, M.P., Minister of Transport

The following were also present:
Mr. George Thomson, M.P., Minister of State for Foreign Affairs (Item 2)
Mr. Cledwyn Hughes, M.P., Minister of State, Commonwealth Relations Office (Item 2)

The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Miss J. J. Nunn
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Prime Minister said that the Commonwealth Secretary's discussions with the Zambian Government suggested that there was a slightly more hopeful prospect of reaching agreement on the terms on which United Kingdom forces might be stationed in Zambia. But the continuing pressure of African opinion had produced a progressive hardening in the attitude of the Zambian Government; and this might continue.

Meanwhile, the Cabinet might consider whether there should be some mitigation of the decision, which had been taken at their previous meeting, to suspend the payment of United Kingdom pensions to pensioners in Rhodesia pending the restoration of a legal Government. The argument of principle against authorising such payments was clear; but the effect on public opinion in the United Kingdom was questionable, since there were also arguments, on humanitarian grounds, in favour of authorising payment in cases of hardship. Such payments might be made through a Rhodesian branch of a United Kingdom bank or perhaps through the Governor.

In discussion there was general agreement that, in principle, the balance of argument was against a relaxation of the earlier decision, particularly since some of the pensioners were known to be strong supporters of the illegal régime and any apparent weakening of the Government's determination to institute harsher measures to bring the régime to an end might have damaging repercussions on public opinion both inside and outside Rhodesia. It could, indeed, be argued that, even in cases of hardship, the pensioners affected should look to the illegal régime to mitigate the circumstances in which they now found themselves as a result of the illegal declaration of independence. It was the general view, however, that on both humanitarian and political grounds it would be preferable to seek to make arrangements for payment from the United Kingdom to continue at least in cases of hardship. The details of any such arrangements would need further consideration. It might be desirable, for example, to enlist the assistance of the Churches in Rhodesia in connection with the disbursement of payments.

The Cabinet—

(1) Agreed that it would be desirable to seek to devise arrangements whereby United Kingdom pensions might continue to be paid to pensioners in Rhodesia in those cases where this was desirable on humanitarian grounds.

(2) Invited the Chancellor of the Exchequer, in consultation with the Minister of State, Commonwealth Relations Office, to give further consideration to the details of such arrangements.
3. The Cabinet considered a memorandum by the Home Secretary (C (65) 164), to which was attached the draft of a White Paper on The Adult Offender.

The Home Secretary said that the Government might be liable to incur criticism from liberal opinion if they did not soon make a distinctive contribution to the reform of the penal system; and, since there was no immediate prospect of introducing a Criminal Justice Bill, it was proposed that a White Paper on the Adult Offender should be published as a counterpart to the White Paper on young offenders which had been published in August. The new White Paper should set the Government's main proposals for legislation against the background of current thinking and action on penal problems. The central feature of these proposals was the introduction of a system of parole which would enable long-term prisoners whom there seemed to be some prospect of reclaiming to return to society after they had served a third of their sentences, but subject to recall to prison for a further third if they misbehaved. The sentences of preventive detention and corrective training for persistent offenders would be abolished, the courts being empowered to impose on a persistent offender a longer sentence, subject to a statutory maximum, than that appropriate for the offence of which he was convicted. Prisoners in this category would also qualify for parole but would be liable to recall for the whole of the remainder of the sentence. The White Paper, which it was hoped to publish during the week beginning 5th December, would also give an account of the progress of the prison building programme and of other matters important to penal policy, such as the arrangements for keeping prisoners in touch with their families.

In discussion the following main points were made:

(a) It might be preferable to omit the opening sentences of the draft White Paper and to confine the introductory paragraph to factual statements. On the other hand, these sentences struck a note of humanity which set the tone of the whole document; and they should be retained.

(b) The reference in paragraph 2 to keeping certain prisoners in detention for life might be thought retrogressive; and it should be made clear that a prisoner would be detained for life only after the most careful consideration and where this was essential for the protection of the public.

(c) Consideration should be given to including in paragraph 13 some account of the case for abolishing preventive detention or at least for making it clear that the previous Administration had announced their intention to abolish this form of sentence.

(d) The tone of paragraph 19 on long-term prisoners should be reconsidered in conjunction with that of paragraph 2. As drafted, the passage appeared to lay too much emphasis on making conditions for long-term prisoners humane and tolerable—a description it was to be hoped applied to the conditions of all prisoners—and too little on the problem of preventing deterioration of character which was the real justification for the provision of special conditions for
men detained for very long periods. It was arguable that a man whom it was necessary for the protection of the public to detain for more than ten years must be mentally ill and should be detained in hospital rather than in prison. But there were men serving sentences of 30 years for robbery or espionage whose sanity was not in doubt, and some convicted of offences, such as child murder, who might have to be detained for the remainder of their lives and yet had not been found to be mentally ill. The drafting of the paragraph should therefore be revised in order to lay emphasis on the prevention of the deterioration of character to which long-term prisoners would otherwise be liable. In particular, the word "unhappily" should be deleted from the second sentence.

(e) The references in paragraphs 24 and 25 to visits to prisoners appeared unduly cautious. A man's family was often the most effective agent for his reformation; and it was of primary importance that he should be kept closely in touch with them. For this purpose weekly parole early in the sentence might be valuable; and it was not clear why it was necessary for a prisoner to serve for as long as a year before he became entitled to receive accumulated visits from his family. There were disadvantages, however, in allowing home visits early in the sentence: they tended to unsettle the prisoner and to make it more difficult for him to adjust himself to the prison régime. Any further reduction of the qualifying period for receiving accumulated visits would create administrative difficulties because of the shortage of prison staff. Further consideration would, however, be given, in the light of the discussion, to the arrangements for family visits and to the possibility of imparting a more positive tone to the paragraph in question.

(f) It might be desirable to make a stronger reference in paragraph 24 to the possibility of paying prisoners normal wages, in order that they might contribute to the support of their families and perhaps to the compensation of their victims. Even allowing, however, for savings on national assistance and on the cost of maintaining men in prison, the payment of normal wages would involve annual expenditure of some £6 million, for which no provision could at present be made.

(g) The proposals for the development of after-care would contribute to the growing pressure on the country's resources for the recruitment and training of social workers; and it would be necessary to ensure that these plans were pursued with a proper regard to the resources available.

(h) It would be desirable to include in the White Paper some reference to the work and the point of view of prison officers, who might otherwise feel that their problems and their contribution to the progress of penal reform had been disregarded.

(i) The Labour Party's Study Group, under the chairmanship of Lord Longford, in their report "Crime—a Challenge to us All" had suggested certain reforms in the Home Office, designed to give new impetus to the development of policies outlined in the report.
While it was not necessarily appropriate to refer in the White Paper to plans for this purpose, it was desirable that the recommendations should be considered; and a memorandum upon them might usefully be brought before the Home Affairs Committee.

It was not proposed to publish a White Paper relating to Scotland; but, since some of the proposed developments in England and Wales would affect Scotland, it would be desirable to indicate that consideration would be given to the adoption of appropriate parallel arrangements in that country.

The Cabinet—

(1) Invited the Home Secretary to give further consideration to the terms of the draft White Paper on The Adult Offender in the light of their discussion.

(2) Subject to Conclusion (1) above, approved the early publication of the White Paper.

(3) Invited the Home Secretary to bring before the Home Affairs Committee in due course a memorandum on the proposals in the report “Crime—A Challenge to us All” for strengthening the organisation of the Home Office.

4. The Cabinet considered a memorandum by the First Secretary of State (C (65) 166) on the prices and incomes policy.

The First Secretary of State said that the threatened strike in the bakery industry might be averted on the basis approved by the Cabinet at their previous meeting, namely, the grant of an interim wage increase of 3 1/2 per cent from 1st January, 1966, coupled with a reference of the union’s claim for a further increase to the National Board for Prices and Incomes. Even so, the Government’s policy on prices and incomes would have suffered some damage. Any wage increase would inevitably involve a further increase in the price of bread, would make it extremely difficult to persuade other unions to accept a reference to the Board or to observe the principles of the policy and would help to foster a sense of injustice among those groups, such as the armed forces, which could not, or traditionally did not, seek to influence wage negotiations by the threat of strike action. In these circumstances it was important that the Government should avoid making any further concessions if the bakers refused to cancel their strike, especially since one large bakery firm had agreed to hold the price of bread at its present level for the rest of the six months period recommended by the Board.

The Minister of Labour said that there appeared to be little chance at present that the strike would be cancelled on the basis which had been approved by the Cabinet; and he had made it clear to both the employers and the union that the Government were not prepared to go further. It appeared, however, that at least a number of the employers would be content to pay substantially higher wages.
provided that the price of bread were increased; and we could not exclude the possibility that, despite the Government's policy, a settlement might be reached on this basis.

In discussion it was recognised that, embarrassing as a settlement of this kind would be, it would provide further evidence of the need to place the Government's prices and incomes policy on a statutory basis and would therefore be less damaging than if the Government were to accept or condone an overt and deliberate breach of that policy. Meanwhile the Ministers concerned were considering what preparations should be made against the possibility of a national strike in the bakery industry; and the Cabinet should take an early opportunity to consider, on the basis of a memorandum to be circulated by the First Secretary of State in consultation with the Minister of Labour, the longer term implications of the dispute in this industry for the Government's prices and incomes policy as a whole.

The Cabinet—

Took note that the First Secretary of State and the Minister of Labour would circulate a further memorandum on the Government's prices and incomes policy.

_Cabinet Office, S. W. 1._

_2nd December, 1965_
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 7th December, 1965, at 10 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs (Items 1–4)
The Right Hon. Lord Gardiner, Lord Chancellor (Items 1–6)
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for Foreign Affairs
The Right Hon. W. R. Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies
The Right Hon. The Earl of Longford, Lord Privy Seal (Items 1–6)
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food (Items 1 and 2)
The Right Hon. Tom Fraser, M.P., Minister of Transport
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence (Items 1–4)
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales
The Right Hon. Douglas Jay, M.P., President of the Board of Trade (Items 1–6)
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development (Items 1–5)
SECRET

The following were also present:

The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Items 4–7)
The Right Hon. MARGARET HERRISON, M.P., Minister of Pensions and National Insurance (Items 4 and 5)
The Right Hon. CHARLES PANNELL, M.P., Minister of Public Building and Works (Items 5 and 6)
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Items 3–6)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. L. ERRINGTON
Mr. J. H. LOCKE

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1. The Foreign Secretary informed the Cabinet that during his recent visit to Moscow he had discussed with the Soviet authorities the possibility of reaching agreement on a treaty to govern the non-proliferation of nuclear weapons. The Soviet Government were probably at one with us in desiring to negotiate a treaty for this purpose; but they still adhered to their view that there could be no question of making progress to this end if, in the current discussions within the North Atlantic Alliance about future policy and organisation in relation to nuclear weapons, we allowed the Federal German Government a greater degree of access to such weapons. He had made it clear, in reply, that there could be no grounds for apprehensions of this kind so long as no non-nuclear nation was in a position to exercise physical control over nuclear weapons without the agreement of the nations which already possessed them; and since it was, and would remain, a cardinal objective of our policy to ensure that this would continue to be so, the Soviet Government had no reason to fear the outcome of the arrangements which we were seeking to promote within the Alliance in order to allow its non-nuclear members to play a greater part in the framing of its nuclear policy. The Soviet authorities, however, had refused to accept this as disposing of their misgivings that the Federal German Government might gain a greater degree of physical access to nuclear weapons; and in these circumstances the best hope of making progress probably lay in a further attempt to allay Soviet fears by clarifying the text of the non-proliferation treaty and ensuring that the current discussions in the North Atlantic Treaty Organisation (NATO) were addressed primarily to ensuring a greater degree of German participation in the consultative processes associated with nuclear policy rather than to conceding to them any increased share in the ownership or physical control of the related weapons.

As regards other topics the Soviet representatives had disclaimed any role in relation to the conflict in Vietnam on the grounds that they were not authorised to undertake negotiations in order to bring this conflict to an end. But, although they continued to profess that the decision on this point rested with the Government of North Vietnam, it was sufficiently clear that they themselves would wish to see the war brought to an end but were inhibited from taking action for this purpose by fear of the reactions of the Government of the People's Republic of China. As regards the continuing tension between the Governments of India and Pakistan, the Soviet authorities had made it clear that they did not intend to assume the role of arbiter; but they continued to be prepared to arrange a meeting at Tashkent between the Prime Minister of India and the President of Pakistan if this proved acceptable and would be likely to be profitable. Their interpretation of the Rhodesian situation was distorted by their suspicion, which he had done his best to dispel, that we had connived at the illegal assumption of independence by the present régime in Salisbury.

In discussion it was suggested that the attitude of the Federal German Government since the recent elections in Germany suggested
that they might no longer be so anxious as hitherto to promote concepts such as a Multilateral Nuclear Force (MLF) or an Atlantic Nuclear Force (ANF) which might have been regarded as giving them some degree of control over nuclear weapons. There were also some indications that the earlier enthusiasm of the United States Government for the MLF had abated to some extent. In so far as it remained necessary, therefore, to continue to entertain concepts of this kind, the ANF might henceforward be the main candidate for consideration; and it might prove possible to satisfy German aspirations by means of improved processes of consultation without conceding even the degree of physical participation in the operation of nuclear weapons which was implicit in the ANF. From this point of view it was encouraging that the special committee of NATO, which the United States Secretary for Defense had proposed as a means of improving consultation about the nuclear policy of the Alliance, had now been established. But, if this committee was to constitute in German eyes a satisfactory alternative to the ownership of nuclear weapons, it must enable the German Government to play a genuine, rather than a merely nominal, part in the discussions about the use of nuclear weapons by the Alliance.

2. The Prime Minister said that, although the President of Zambia, President Kaunda, had refused to accept our offer to station United Kingdom troops in Zambia on condition that no forces from other countries were admitted without our consent, he remained concerned about the safety of the Kariba Dam and its associated electricity generating station; and it was in our own interests that his anxiety should be allayed as far as possible. It might therefore be desirable to seek to promote some form of Commonwealth force which could be deployed to protect the dam and the related installations. Since the installations were located on the Rhodesian side of the Zambesi River, it would be necessary that the force should be deployed on both banks. We could not ourselves seek to negotiate with the illegal régime in Salisbury their agreement to the location of troops on the Rhodesian side of the river; but, in so far as the International Bank for Reconstruction and Development had originally financed the construction of the dam and the power station, they retained an official interest in it, which extended to the right of inspection. It might therefore be possible to arrange for the Bank to sponsor the proposed deployment of Commonwealth troops to protect the dam.

Meanwhile, the possibility of instituting an oil embargo against Rhodesia was under discussion with the United States Government. But it would be useless to attempt, before these discussions were concluded, to divert individual cargoes of oil destined for Rhodesia, especially since oil supplies for Zambia were routed through Rhodesia and any premature attempt to curtail the Rhodesian intake of oil would therefore put the Zambian economy at risk and might also provide the illegal régime in Salisbury with an excuse to attack Zambia in retaliation for our own action. We should therefore concentrate on maintaining our other economic and financial
measures against Rhodesia, while remaining prepared to indicate at the appropriate moment the terms on which we might be prepared to deal with the situation which would arise when the rebellion came to an end. It was impossible to foresee at what moment and in what manner that situation would arise; but, so far as we could judge at present, the termination of the rebellion would need to be succeeded by a lengthy period of direct rule, which would gradually lead, by successive stages of increasing self-government, to ultimate independence on the basis of majority rule.

In discussion there was general agreement with these views, particularly as regards the importance of adopting measures to safeguard the Kariba Dam, not merely in order to ensure the physical security of so valuable an asset but also in order to relieve the pressure which was at present being exerted on President Kaunda by the more extreme leaders of African opinion to resort to an armed attack on Rhodesia as a means of bringing the rebellion to an end. It might be difficult, in the interim, to defend our failure to arrest or divert, wherever possible, individual oil cargoes destined for Rhodesia. But unilateral action in this field could only be sporadic and, therefore, ineffective; and the wisest course, on balance, would be to concentrate on mobilising the maximum degree of international support for a comprehensive oil embargo. This would not be easily achieved.

3. The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (C (65) 168) and a memorandum by the Minister of Transport (C (65) 171) on the financial position of London Transport.

The Chancellor of the Duchy of Lancaster recalled that at their meeting on 23rd November the Cabinet had asked the Sub-Committee on Transport Policies to report as soon as possible on the prospects of finding solutions to the fundamental problems of London Transport within a period of six months. The Sub-Committee had agreed on certain fundamental points which could form the basis of future policy for London transport. These were that public transport services in London must be maintained and improved; that this could only be done if there were more severe restrictions on the use of private vehicles in areas of severe congestion; that private vehicles which contributed to congestion should contribute financially to the development of public transport, either through additional charges for vehicles used in Central London or by a tax on employment in Central London; and that the role and responsibility of the Greater London Council should be reviewed. If the Cabinet endorsed these principles, it should be possible to work out a detailed policy within six months, provided that the matter was pressed forward with resolution.

The Minister of Transport said that restraint on private traffic in Central London was essential and he believed that within six
months specific proposals could be brought forward. But the proposals
could not be put into effect for a further lengthy period, if only
because legislation would be required for any fundamental changes.
He therefore considered that an increase in fares on London
Transport should be made immediately. A further postponement
would suggest to Londoners that, when the Government's policy had
been worked out in full, no increase in fares would be necessary. This
would be wholly misleading. Whatever measures were introduced,
it was impossible for London Transport to be viable at the present
level of fares, which had not been changed since July 1964. The root
cause of the financial difficulties was the loss of traffic at week-ends
and in the evenings, and not a diminution of commuters into Central
London. It would be necessary for him to make a statement before
the Parliamentary recess and this could most conveniently be made
on 9th December in the course of the debate on the Report on
London Transport of the Select Committee on Nationalised
Industries.

In discussion there was general agreement that London
Transport fares would have to be increased before long. In favour
of an immediate increase in fares it was pointed out that the longer
the delay, the less money would be raised by the fares increase during
1966 and the greater would be the need for a subsidy; circumstances
later in 1966 might be even less propitious for an increase in fares
than would be the case in January; and it was not likely that much
more detail about the Government's policy on London Transport
could be given in February or April than in a statement now. In
favour of a delay in announcing an increase in fares it was argued
that even the 10 per cent increase proposed by the Ministry of
Transport would cover only half the prospective deficit in 1966; that,
since the Government were not yet in a position to know what
contribution might be found from the sources of finance suggested in
C (65) 168, there would have to be a continuing Exchequer subsidy
for 1966, whether or not fares were increased; and that it would
therefore be preferable to delay any decision on fares until it was
possible to associate it with specific decisions aimed at restraining
the use of private vehicles in Central London and securing a financial
contribution from their users in order to maintain and develop public
transport.

In further discussion there was general agreement with the
approach set out in paragraph 12 of C (65) 168. The following points
were also made:

(a) Although road improvements could not wholly solve the
problem of congestion in Central London, they might make a
significant contribution to easing it.

(b) The simplest step which could be taken immediately to
restrain the growth of private transport in London would be a large
extension of parking meters together with an increase in charges.
But legislation would be needed for the money so raised to be used
for purposes other than the provision of off-street parking. It would
also be necessary to recruit large numbers of additional traffic
wardens. Moreover, the initiative in these matters rested with the
Greater London Council and the London Boroughs, not with the Government.

(c) The introduction of a tax on employment in Central London would raise difficulties similar to those which had led to the abandonment of a payroll tax covering London and the South-East of England.

(d) A restriction on the number of private cars coming into Central London would throw an additional strain on public transport at times when it was already seriously overloaded.

(e) There was a case for regarding public transport in large cities, including London, as a social service and meeting a substantial part of the operating costs from sources other than fares.

(f) London Transport's proposals involved large percentage increases for certain fares and no increase for others. This might be criticised but any alteration in the proposals might well delay substantially the introduction of new fares.

(g) British Railways had held fares on their London suburban lines below those in the rest of the country, at a current cost of over £1 million a year. Moreover, they did not consider that they could increase passenger fares in the rest of the country until they were free to increase the London suburban fares as well.

The Prime Minister, summing up the discussion, said that, on balance the Cabinet considered that an increase in fares was inevitable and should be made sooner rather than later. In view of the criticism of the details of the fares increases it would be desirable for the Chancellor of the Duchy of Lancaster to arrange for the Sub-Committee on Transport Policies to discuss the details the following day. London Transport should not however be asked to make changes in the proposed increases of a kind which would lead to a delay of more than a week or two in bringing the new fares into effect. Since the Cabinet's acceptance of an increase in fares was, however, conditional on definite steps being taken by the Government within a short period (preferably before the new fares came into operation) to deal with the issues set out in C (65) 168, the Sub-Committee on Transport Policies should report to the Cabinet in mid-January their conclusions on the way in which private traffic in Central London might be restrained and a financial contribution raised which could be used to assist the financial position of London Transport. The report should also cover the Greater London Council's responsibilities in this field. The report should deal specifically with the extension of the parking meter system, a tax on off-street parking in Central London, supplementary licence fees for vehicles using Central London in peak hours, and a tax on employment in the congested areas. The statement to be made by the Minister of Transport in the House of Commons on 9th December should be in general terms; it should not refer specifically to any of the proposed measures, since that would raise speculation; and it should be considered first by the Sub-Committee on Transport Policies.
The Cabinet—

(1) Agreed that London Transport fares should be raised by an average of 10 per cent at the earliest convenient date.

(2) Agreed that a full statement of the Government's policy in relation to the problems of public and private transport in London should be made as early in 1966 as possible.

(3) Invited the Chancellor of the Duchy of Lancaster to arrange for the Sub-Committee on Transport Policies to consider the possibility of modifying the structure of fare increases proposed by London Transport without substantially delaying the introduction of higher fares; and to consider the text of the statement by the Minister of Transport announcing the Government's decision.

(4) Invited the Chancellor of the Duchy of Lancaster to arrange for the Sub-Committee on Transport Policies to report to the Cabinet in mid-January on specific measures to restrain private traffic in London and to raise a financial contribution for London Transport on the lines indicated in the Prime Minister's summing up of their discussion.

4. The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (C (65) 167) on contribution liability and contracting out in relation to earnings-related short-term benefits.

The Chancellor of the Duchy of Lancaster recalled that he had been asked by the Cabinet to arrange for the Ministerial Committee on the Social Services to consider the relative advantages of the alternative proposals for those contracted out of the graduated pension scheme. The Committee had agreed that there were only two courses available. The course proposed by the Minister of Pensions and National Insurance went beyond what was essential for the financing of earnings-related short-term benefits, but sought to take advantage of that legislation to reform the existing arrangements for contracting out and, by bringing the contracted-out employees into the graduated scheme, to remove the existing inequities and anomalies, to facilitate the financing of future benefit increases, and pave the way for a more radical reshaping of the graduated pension scheme. Because of its adverse effect on employees in the public sector, particularly those in the Civil Service and Armed Forces (whose occupational scheme was non-contributory), this course could only be followed if, as a temporary expedient pending the completion of the major pensions review and the introduction of national superannuation, employees in the public sector were allowed to receive their occupational pension in full, together with the graduated national insurance pension. The majority of the Committee however took the view that, once a concession of this nature had been made, it would prove difficult to withdraw and would prejudice subsequent negotiations on the relationship between occupational schemes in the public sector and the national superannuation scheme. For this reason they did not favour the Minister's proposals to change the basis of contracting out. A minority of the Committee on the other hand considered that a
concession made explicitly without prejudice to the subsequent negotiations would have little or no effect on their outcome because of the radical changes that would have to be made at that time, and accordingly supported the Minister's proposals.

If the view of the majority of the Committee were accepted, then, on the basis that the principle of universality should apply to earnings-related short-term benefits as it applied to the corresponding flat-rate benefits, the only course open was to charge the contracted-out the additional \( \frac{1}{2} \) per cent graduated contribution required generally to finance earnings-related short-term benefits and to leave the contracting-out arrangements unchanged. This course would not avoid raising the issue of principle that contracted-out employees in the public sector would be paying for benefits which they would not receive, but the amounts involved would be quite small, and the majority of the Committee considered that this could be tolerated. A minority however took the view that, to cover the special case of the Armed Forces, a temporary concession permitting the receipt of occupational pension with graduated national insurance pension would be necessary in the case of this course also.

In discussion it was pointed out that the National Insurance Act gave power to modify the general provisions of the Act in their application to the Armed Forces and that this power was exercised under the flat-rate scheme so as to modify the contribution paid by members of the Armed Forces for flat-rate short-term benefits. Since the special position of the Armed Forces was already recognised in this way, there was a case for dealing similarly with their graduated contributions for earnings-related short-term benefits.

The Cabinet—

(1) Agreed that those contracted out of the national insurance graduated pension scheme should pay the graduated contribution required to finance earnings-related short-term benefits, but that the basis of contracting out should not be changed.

(2) Subject to (1), approved the proposals in C (65) 112 for earnings-related short-term benefits.

(3) Invited the Minister of Pensions and National Insurance to determine, in consultation with the Secretary of State for Defence and the Chief Secretary, Treasury, the extent to which the contribution for earnings-related short-term benefits should, under regulations, be modified in its application to the Armed Forces.

The Cabinet considered a note by the Chancellor of the Exchequer (C (65) 169) to which was attached a draft White Paper on the Planning and Control of Public Expenditure.

The Chancellor of the Exchequer said that the main purpose of the White Paper was to explain the operation of the control and planning of public expenditure. Since they took office, the present

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Housing Programme, 1965-66

Government had fixed a percentage increase for the growth of total public expenditure, and had allocated resources to the main blocks of expenditure within this total. This innovation had not been easy to achieve and the Government should rightly take credit for it.

In discussion there was a general welcome for the proposal to publish the White Paper as a contribution to public understanding of the machinery of control now operated by the Government and of the need to relate total expenditure in any one field to expenditure in other fields. It was, however, argued that it would be preferable to publish the White Paper at a later date, at about the same time as the publication of the Estimates for 1966-67, in order both to set those Estimates in perspective and to enable the Government to ensure that there was no discrepancy between the two documents. A decision on publication should, however, only be taken at the time.

The point was also made that it would be preferable to omit Appendix 2 on the criteria for proposals for civil and technological projects, since this was doubtfully relevant to the White Paper as a whole.

6. The Committee considered memoranda by the Minister of Housing and Local Government (C (65) 170) and by the Chancellor of the Exchequer (C (65) 172) on the housing programme.

The Minister of Housing and Local Government said that in July the Cabinet had agreed that the level of approvals for local authority building in England and Wales should be 150,000 in 1965 and 1966 rising to 170,000 by 1970. It was now clear that to keep the level of approvals at 150,000 for these two years would create serious problems. Great emphasis had been placed on the expansion in the public housing programme, and the new housing subsidies which he had announced were designed to encourage local authorities to press on with their programmes. It was essential to permit the major conurbations to extend their programmes because of the serious overcrowding in these areas. The Government were seeking to encourage the adoption of industrialised building techniques and for this the local authorities must be assured of a steadily growing programme over the next few years. Additional houses had also to be provided for miners affected by the colliery closure programme. After allowing for the priority areas it would be impossible to maintain approvals for the other areas even at the 1964 level within a total programme of 150,000 houses in 1965 and 1966 and this would be extremely difficult to defend. It was possible to accommodate the additional housing programme without straining the resources of the building industry by the adoption of the right level of licensing for major private building projects.
The Chancellor of the Exchequer said that the programme of 150,000 houses for 1965 and 1966 had been agreed by the Cabinet in July as an integral part of the public expenditure programmes. The Minister of Housing was not asking for an increase in the housing target for 1970 but he wished to approve more houses in the earlier part of this period and reach the target more quickly. This would mean an increase in the total public expenditure programme in 1966-67 which would need to be met by additional taxation unless there were compensating economies in other departmental programmes. The Cabinet had agreed in July that the public housing programme should be reviewed if it seemed likely that there would be a substantial fall in private house building. There had been a temporary fall in private house building but this trend had now been reversed and it was agreed between Departments that there would probably be an expansion of over 10 per cent in private house building in 1966. There was therefore no case for reopening the agreed programme. Since, however, the delay in putting in applications by local authorities until after the new housing subsidy had been announced might lead to difficulties in approving the full programme of 150,000 houses before the end of 1965, any shortfall might reasonably be carried forward into 1966. The 1966 programme might be reviewed in three months’ time in the light of the economic and financial position then.

The Minister of Public Building and Works said that officials had concluded that it would be possible, without straining the resources of the building industry, to license about £10 million worth of new work each month under the building licensing legislation. The Ministerial Committee on Economic Development had agreed that approvals should be given at a somewhat lower rate in order to accommodate any increase that might be authorised in the public housing programme and resources would, therefore, be available for the programme proposed by the Minister of Housing.

In discussion it was pointed out that in July the Cabinet had considered the relative priorities of the various main programmes of public expenditure, both current and capital. If it were now possible to increase the total of public expenditure, the Cabinet should consider whether an increase in the housing programme had greater priority than increases in the other programmes or, indeed, than a restoration of the deferments in capital expenditure which had been agreed by the Cabinet at the same time. Other proposals for additional expenditure had not been put forward because it had been assumed that room could not be found for them within the agreed totals for 1966-67. It was recognised that it would be possible to restrict more tightly the volume of new building work licensed in the private sector, although it should be recognised that many of the private sector projects were urgent and of social importance. If nevertheless this were done it would be possible correspondingly to increase public sector capital programmes. This would, however, involve the total of public expenditure rising above the limit of 4½ per cent per annum which had been agreed by the Cabinet.
The Prime Minister, summing up the discussion, said that the Cabinet did not feel able at this stage to agree to an increase in the public housing programme in England and Wales. The Minister of Housing should, for the time being, continue allocations on the assumption that the programme should total 300,000 houses in the years 1965 and 1966 taken together. By the middle of January the Minister of Housing would have more information about the number of applications received from local authorities following the introduction of the new housing subsidies and more would be known about the economic and financial position as it was likely to develop in 1966. The Cabinet should then be able to consider the possibility of an increase in the public housing programme and the case for extending other public sector capital programmes together with any necessary reduction in the scale of private sector construction work, on the basis that the annual increase of public expenditure would continue to be restricted to $\frac{4}{7}$ per cent at constant prices.

The Cabinet—

(1) Agreed that for the time being the Minister of Housing and Local Government should approve local authority applications on the basis of a programme totalling 300,000 houses for 1965 and 1966 combined.

(2) Agreed to review the public sector capital programmes, including the housing programme, in the middle of January in the light of the economic and financial position at that time.

7. The Minister of Labour said that since the Cabinet's last discussion the bakery firms and the Bakers' Union had agreed that the wage claim put forward by the latter should be referred to the National Board for Prices and Incomes. This agreement was on the basis that the Board would consider the claim as a whole and there would be no interim wage increase of $\frac{3}{7}$ per cent from 1st January, 1966, as had originally been contemplated in the Cabinet's earlier discussion. The Union proposed to recall their Conference in January or in February in order to consider the report of the Board as soon as this was available.

Unfortunately, the effect of the settlement of this dispute might well be offset by a strike in the printing industry which might prevent the publication of a number of newspapers. This dispute arose from rivalry between the two main unions concerned over the operation of new printing machinery.

The Prime Minister said that the Cabinet congratulated the Minister of Labour on his success in achieving a settlement of the dispute in the bakery industry.

The Cabinet—

Took note, with approval, of the statement by the Minister of Labour.

Cabinet Office, S.W.1,
7th December, 1965.
69th Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 9th December, 1965, at 10.30 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister
The Right Hon. George Brown, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. Lord Gardiner, Lord Chancellor (Items 1-6)
The Right Hon. Michael Stewart, M.P., Secretary of State for Foreign Affairs (Items 1-6)
The Right Hon. Sir Frank Soskice, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. William Ross, M.P., Secretary of State for Scotland
The Right Hon. Anthony Greenwood, M.P., Secretary of State for the Colonies (Items 1-6)
The Right Hon. The Earl of Longford, Lord Privy Seal
The Right Hon. Richard Crossman, M.P., Minister of Housing and Local Government (Items 1-4)
The Right Hon. R. J. Gunter, M.P., Minister of Labour
The Right Hon. Fred Peart, M.P., Minister of Agriculture, Fisheries and Food (Items 4-7)
The Right Hon. Tom Fraser, M.P., Minister of Transport (Items 1-6)

The following were also present:
The Right Hon. John Diamond, M.P., Chief Secretary, Treasury (Item 4)
The Right Hon. Herbert Bowden, M.P., Lord President of the Council
The Right Hon. James Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. Denis Healey, M.P., Secretary of State for Defence (Items 1-6)
The Right Hon. Arthur Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. James Griffiths, M.P., Secretary of State for Wales (Items 1-6)
The Right Hon. Douglas Jay, M.P., President of the Board of Trade
The Right Hon. Anthony Crosland, M.P., Secretary of State for Education and Science (Items 1-5)
The Right Hon. Douglas Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P., Minister of Technology (Items 1-6)
The Right Hon. Frederick Lee, M.P., Minister of Power
The Right Hon. Barbara Castle, M.P., Minister of Overseas Development (Items 1-6)
The Right Hon. Edward Short, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Mr. J. H. Locke
Miss J. J. Nunn

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

   It was proposed that Parliament should be adjourned on 22nd December for the Christmas Recess and should reassemble on 25th January.

2. The Foreign Secretary said that President de Gaulle now seemed likely to stand again for election on the second ballot. It was probable that he would gain a majority of over 60 per cent of the votes cast; and this might go some way to restoring the prestige which he had forfeited by his failure to gain election on the first ballot. The immediate outcome might be to increase our own difficulties in relations with France and, therefore, with the European Economic Community, since President de Gaulle might now be expected to react to the personal rebuff which he had received by pursuing all the more strongly his individualistic policies, which were detrimental to our interests. In the longer term, however, the outcome might be in our favour, in so far as the demonstration of a genuine political Opposition in France should make it increasingly difficult for the French Government to pursue a wholly unilateral course.

   The Foreign Secretary informed the Cabinet that the Soviet Government had drafted a joint message which they proposed that they and we, as co-Chairmen of the Geneva Conference, should issue on the hostilities in Vietnam. This draft, which they had published before we could consider it, was little more than a statement of the extreme Soviet case and indicated, no doubt, the extent to which the Soviet Government were under increasing pressure from the Peoples' Republic of China in relation to their public attitude on Vietnam. He therefore intended to send to the Soviet Government, and to publish, an alternative draft, which would more adequately reflect our own point of view. In the upshot we should seek to agree with the Soviet authorities a suitable joint message.

3. The Foreign Secretary said that the recent proposal of the Foreign Ministers of African countries at the meeting of the Organisation for African Unity (OAU) that diplomatic relations with the United Kingdom should be broken off if we had not brought the illegal régime in Rhodesia to an end by 15th December might, in respect of the foreign countries concerned, raise particular difficulties for us with the United Arab Republic (UAR). It appeared that at present they felt bound to break off relations in accordance with the resolution but that they hoped that this would not lead to any exacerbation of feeling between the two countries. It might be helpful in influencing their decision if those Commonwealth countries which had doubts about the wisdom of complying with the resolution were to make their views known to the UAR.

   In discussion there was general agreement that we should not appear to be excessively concerned about the resolution or appear unduly eager to make concessions in order to enable the member
countries of the OAU to extricate themselves from the difficulties and embarrassments which they had now created for themselves. On the other hand, it would be inadvisable to threaten retaliatory measures, e.g., a suspension of aid, unless they were clearly justified in particular circumstances.

In further discussion of the Government's longer term objectives in relation to Rhodesia, it was suggested that we should make it clear that we would have no dealings with the illegal régime and would not be prepared to make any substantive concessions in negotiation with them in return for their withdrawal of their illegal declaration of independence. It was agreed that at an appropriate point, when the situation had developed further, it would be necessary for the Cabinet to give more detailed consideration to these issues.

4. The First Secretary of State said that following the Cabinet's decision on 30th November negotiations had been continued with a view to forming a new company with both Government and private capital to acquire the assets of Fairfields, and to take over the operation of the shipyard, leaving the existing company to go into liquidation. It had been agreed that the assets should be acquired on the basis of a valuation. The work in progress in the yard had been valued at £800,000 and the fixed assets of the yard at £1.1 million. In addition there were, on the same site, the engineering works owned by the subsidiary, Fairfield-Rowan, where the assets had been valued at £2.6 million. There appeared, however, to be a reasonable chance that other buyers could be found for these. Agreement had been reached with Sir Isaac Wolfson on the composition of a new Board of Directors which would include leading figures from the shipbuilding and shipping industries with a Government nominee as Chairman.

A major difficulty, however, had now appeared. The Receiver had believed that he had the power to sell the assets at the best price he could obtain for them and to inform the creditors of the company that he had done so before the liquidation of the company. This would have enabled the new company to take over the shipyard without any interruption of work. The Government's legal advisers, however, had now formed the view that the Receiver did not have the power to sell the assets in advance of the liquidation of the company. Counsel's opinion was being obtained on this point; and further consideration was also being given to the possibility that the formal liquidation of the company could be followed almost immediately by the sale of the assets in order that any substantial interruption of work in the yard might still be avoided. It was not yet certain how far this could be achieved.

In addition no firm agreement had yet been reached with Sir Isaac Wolfson about the basis of the financial arrangements for the new company. Sir Isaac Wolfson now seemed to desire that his participation in the finance should consist of loan capital to a larger extent than seemed desirable if the new company were not to be burdened with heavy interest charges. Here again discussion was still continuing. There seemed some possibility that Lord Thomson of Fleet might consider participation in the venture.
In these circumstances it might well be disadvantageous for the Government to become sole owner of Fairfields shipyard; and, if no alternative appeared to be practicable, it would be necessary to acquiesce in the closure of the yard. The best solution, however, would still be for the Government to contribute 50 per cent of the capital sum required and for the other 50 per cent to be found by private enterprise. If, however, it were found that a consortium of private firms was prepared to subscribe the whole of the capital which was needed to ensure the continued operation of Fairfields, this would be an acceptable solution, since the Government’s primary concern had always been to maintain the modernised shipyard in being in the belief that it would be able to play a useful part in a rationalised shipbuilding industry on the Clyde. The Government’s immediate objective, therefore, should be to seek to avoid the immediate liquidation of the company and to endeavour to persuade firms with ships building in the yard or on order to refrain from withdrawing for a further week or so while negotiations continued. Meanwhile, discussions with the Trade Unions had succeeded in eliciting from them firm assurances that they would co-operate with the new management in revising the existing methods of working in the shipyard, particularly by agreeing to greater flexibility between the various crafts employed.

In view of the publicity which had already been given to the possibility of Government action in relation to Fairfields it might be desirable to make a brief interim statement in Parliament that afternoon, which would emphasise that the Government had been concerned with the risk that a modernised yard would be forced to close and that consultations on possible ways of preventing this were continuing.

The Chancellor of the Exchequer said that it would be a mistake for the Government to acquire the yard without the co-operation of private enterprise or to embark on changes in the management which, despite their other merits, might not be consistent with the long-term objective of promoting a rationalisation of the shipbuilding industry on the Clyde. It might therefore be desirable that the Shipping Mortgage Finance Corporation, which was financed by the Exchequer and had wide contacts in the shipping industry, should now be invited to pursue the negotiations with private interests on the Government’s behalf.

The Minister of Labour said that the Shipbuilding Employers’ Federation had represented to him that it was objectionable that one shipbuilding yard should be accorded preferential treatment by the Government in advance of the Report of the Geddes Committee of Enquiry on Shipbuilding; that, if the labour employed in the shipyard had to be discharged, it could be absorbed easily in other yards on the Clyde; and that any suggestion that the new management envisaged for Fairfields would be authorised to modify national agreements and practices affecting labour in the shipyard (e.g., by introducing higher wage rates in the hope of obtaining a relaxation of restrictive practices) would be liable to provoke extensive repercussions elsewhere in the shipbuilding and engineering industries.
In discussion the following main points were made:

(a) The belief that Government money might be available to assist Fairfields might have encouraged the Bank of Scotland and other creditors to hope that they could escape from the full loss which they were likely to incur. If necessary, they should be disabused of this idea.

(b) It was unfortunate that the Government were largely dependent at this stage on the attitude taken by Sir Isaac Wolfson, who might well see advantage in allowing Fairfields to go into liquidation in order to secure the assets at a low price.

(c) There was a danger that any attempt to invoke the good offices of the Shipping Mortgage Finance Corporation in order to widen the search for private capital might involve delays which would lead to the loss of the orders at present held by Fairfields.

(d) Too much attention should not be paid to the views of the Shipbuilding Employers' Federation, who no doubt feared the introduction of a new and dynamic management into Fairfields.

_The Prime Minister_, summing up the discussion, said that the general view of the Cabinet was that the Government should continue their efforts to avoid the closure of Fairfields. The First Secretary of State should take full responsibility for the continuance of the negotiations. He should discuss with the Chairman of the Shipping Mortgage Finance Corporation the possibility of their acting on behalf of the Government in seeking to make arrangements with private firms to provide either all the capital needed to buy and operate Fairfields shipyard or to enter upon a joint venture with the Government. The Cabinet accepted that a final decision could not be delayed much longer and that it might not be possible to avoid the closure of the yard. It would not be desirable for the Government to acquire Fairfields unless a reasonable share in the new enterprise were taken by private capital; and, if this could not be found before orders for the new ships were withdrawn from Fairfields or before the skilled labour force was dispersed, the Government would have to accept closure, however much they might regret it. It would be important, if this happened, to make it clear that the responsibility lay on the creditors or on the unwillingness of private capital to engage in this enterprise and to show that the Government had done everything which they reasonably could in order to ensure the continued operation of the yard and the employment of its workpeople. For this reason it would be desirable for the First Secretary to make a short statement to the House of Commons to set the matter in perspective. The First Secretary of State and the President of the Board of Trade should also discuss the problem with Mr. Geddes.

The Cabinet—

Invited the First Secretary of State, in conjunction with the Chancellor of the Exchequer, the President of the Board of Trade and the Secretary of State for Scotland, to continue negotiations for the formation of a company to take over Fairfields shipyard on the lines indicated in the Prime Minister's summing up of their discussion.
5. The Cabinet considered a memorandum by the Lord Chancellor (C (65) 174) about the training of Justices of the Peace in England and Wales and the position of ex officio Justices.

The Lord Chancellor said that he proposed to publish on 22nd December a White Paper announcing the Government's acceptance of the recommendation of the 1948 Royal Commission on Justices of the Peace, recently endorsed by the National Advisory Council on the Training of Magistrates, that Justices should be required, as a condition of their appointment to the Commission of the Peace, to undertake a course of training, the first part to be completed before they adjudicated and the second within a year of appointment. The training would be organised by Magistrates' Courts Committees on the basis of a syllabus prepared by the National Advisory Council. The scheme would not require legislation, and the additional cost over and above that of existing voluntary training schemes would be negligible. The introduction of obligatory training would throw into relief the problem of those who became Justices by virtue of holding some other office, in particular of mayors and chairmen of County and District Councils. The Royal Commission had recommended that the chairmen of Councils should cease to be Justices ex officio, but not mayors, in view of their traditional responsibility in the past for keeping the peace. It was clear, however, that only persons selected for their suitability and trained for the purpose should serve as Justices. Where civic heads were suitable for selection they could be considered for appointment by normal methods, but the introduction of obligatory training made it impossible to justify any longer the continued existence of the ex officio Justices. Their abolition might give rise to some difficulty in the City of London where an alderman, unlike other lay Justices, sat alone, but there did not appear to be sufficient grounds for making an exception here. The abolition of the ex officio Justice would require legislation, which would possibly not be practicable in the present Session. It was proposed in the White Paper merely to indicate that the Government had the question under consideration and to ask that ex officio Justices should not exercise their right to act as magistrates regularly unless they completed the first stage of the training course. It was recognised that the abolition of the ex officio Justice would aggravate the problem of securing a proper political balance on the Bench, and he proposed to discuss this with the chairmen of the Advisory Committees in the New Year.

In discussion there was general agreement with the proposal to introduce obligatory training for lay Justices, but it was suggested that it would be unwise to abolish the ex officio Justice, whose service as a magistrate helped to identify the Bench with the local community. The abolition of the only elected element on the Bench would sharpen criticism of the selection of Justices by a close and anonymous oligarchy whose recommendations seemed to perpetuate the predominantly conservative character of the Commission. In Scotland, where the elected Baillie made a useful contribution to the administration of justice, there was no question of abolishing ex officio Justices, and abolition in England and Wales might cause
Diplomatic Relations with the Vatican

some embarrassment. It was pointed out, on the other hand, that the continued presence on the Bench of ex officio Justices was inconsistent with the desirable development of a better selected and better trained magistracy. Justices who were personally selected for their work and who in future would have to devote some time to training for it, might well feel some resentment if they were required to sit with ex officio Justices who were neither selected nor trained; and the fact that ex officio Justices could include persons with a criminal record made it more difficult to effect the removal from the Bench of ordinary Justices who committed criminal offences. The White Paper itself did not, however, commit the Government to the abolition of ex officio Justices, but merely asked those Justices not to act as magistrates regularly unless they completed the first stage of the training course. It might be wise to rest on this position and to defer legislation until the Lord Chancellor had had an opportunity to consider further how the system of selecting Justices might be improved.

The Prime Minister, summing up the discussion, said that there was general agreement that Justices should be required to undertake training during the first year after their appointment. This plainly called in question the position of the ex officio Justices, but, in view of the doubts which had been expressed about the wisdom of abolishing them, a decision on this question should be deferred until the Lord Chancellor had further considered the problem of securing a system of selection which would ensure that the Bench was representative of all classes in the community. A memorandum on this aspect of the matter should be brought before the Cabinet in due course. In the meantime the passage in the White Paper referring to ex officio Justices was acceptable and the White Paper could be published.

The Cabinet—

(1) Approved the publication of a White Paper on the lines of the draft annexed to C (65) 174.

(2) Invited the Lord Chancellor to bring before them in due course proposals for improving the arrangements for selecting Justices of the Peace in England and Wales.

(3) Agreed to resume their discussion of ex officio Justices in the light of (2) above.

6. The Cabinet considered a memorandum by the Secretary of State for Foreign Affairs (C (65) 173) on the status of the United Kingdom diplomatic representative at the Vatican.

The Foreign Secretary said that Her Majesty was represented at the Holy See by a Minister, while there was no diplomatic representation of the Vatican in this country. In earlier discussion he had suggested that the Government should seek the approval of The Queen for a proposal to be made to the Holy See that diplomatic representatives with the rank of Ambassador should be exchanged. It now appeared that the acceptance of a Papal diplomatic representative in this country would be repugnant to some sections
of non-Roman Catholic opinion here. A suitable alternative might be to raise the status of our Minister to that of Ambassador, without any change in the representation in the United Kingdom of the Vatican. It appeared that this might be welcome to the Holy See and there were practical reasons in favour of it. The junior status of our representative was an inconvenience to the proper discharge of his duties and furthermore it might be appropriate to raise his status in view of the growing importance of the Vatican in world affairs in the promotion of peace, disarmament, the war against poverty and support for the United Nations. There were, however, arguments to the contrary, notably the doubts expressed by the Archbishop of Canterbury about such a move.

In discussion it was argued that the opposition in the United Kingdom to the appointment of a United Kingdom Ambassador to the Holy See derived from outmoded religious views and that these should not prevent our taking a step which would accord with the interests of our foreign policy. It was however the general view that to take such a step at the present time would arouse opposition in the United Kingdom which would be injurious to the steady improvement of relations between the Churches. It would therefore be preferable to await the further development of the work of reconciliation being done by the Secretariat for Christian Unity and by the various denominations and not to raise at this stage the controversial issue of our secular relations with the Vatican.

The Prime Minister, summing up the discussion, said that it was the general view of the Cabinet that we should not at this stage take the step contemplated by the Foreign Secretary in view of the damage which this might cause to the ecumenical movement. It would, however, be open to the Foreign Secretary to bring this proposal forward at a later date in the light of the improvement of relations between the denominations, if he then judged it desirable in the interests of our foreign policy.

The Cabinet—
Agreed that at the present time it would not be appropriate to raise the status of Her Majesty’s Representative at the Holy See to the rank of Ambassador.

7. The Cabinet considered a memorandum by the Secretary of State for Commonwealth Relations (C (65) 175) on the negotiations with the Irish Republic for the establishment of a free trade area between the United Kingdom and the Irish Republic.

The Secretary of State for Commonwealth Relations said that negotiations had been going on for about a year and were now approaching the stage when final decisions would have to be taken. About a dozen points of substance were still the subject of disagreement and some of them were of considerable difficulty. Apart from any economic advantage which might flow from the agreement
it would also have a political importance in improving relations between the two countries. It was clear that the Irish Prime Minister, Mr. Lemass, wished agreement to be reached but it was not certain that all his colleagues did. If agreement on the outstanding points was not reached in the Ministerial discussions the following week, there was a serious risk that the negotiations would be abandoned. This would be most unfortunate. Our partners in the European Free Trade Association and the other Commonwealth countries which might be affected had been kept informed and had been understanding about the proposed agreement. He therefore recommended that every effort should be made to settle the outstanding issues by making concessions on some of the points which the Irish regarded as particularly important.

*The President of the Board of Trade* said that the agreement would give greater advantages to the Irish Republic than to Britain. The Irish already had free access for industrial goods and would obtain substantial concession on their agricultural exports to Britain. We, however, would only obtain free entry for industrial goods gradually over a period. We should lose our guaranteed preference well before we obtained free entry for our goods and the Irish were reserving the right after five years to except a significant part of the trade from the agreement. It would, therefore, be wrong for us to make further substantial concessions to the Irish on the outstanding points during the discussions the following week.

*The Minister of Agriculture* said that the proposed agreement contained substantial concessions to the Irish Republic on their exports of agricultural products and it would be surprising if the Irish Minister of Agriculture were not strongly in favour of securing the agreement. Further concessions on agricultural products would raise great difficulties, both with home farmers and with the Commonwealth.

*The Prime Minister,* summing up the discussion, said that on broader grounds it would be in our interest to complete the agreement even though the balance of economic advantage might be slightly on the Irish side. But the balance of advantage might be altered if we were to give way on a large number of points at issue; and we should therefore be ready to accept the possibility that final agreement would not be reached in the Ministerial talks the following week and that a further round of negotiations might be needed in January.

The Cabinet—

Invited the Secretary of State for Commonwealth Relations, in conjunction with the President of the Board of Trade and the Minister of Agriculture, to continue the negotiations with the Irish Republic on the lines indicated in the Prime Minister's summing up of their discussion.

*Cabinet Office, S.W.1,*

9th December, 1965

SECRET
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 14th December, 1965, at 10 a.m.

Present:

The Right Hon. H. WILSON, M.P., Prime Minister
The Right Hon. G. BROWN, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. L. GARDINER, Lord Chancellor
The Right Hon. S. SOKICE, Q.C., M.P., Secretary of State for the Home Department
The Right Hon. W. ROSS, M.P., Secretary of State for Scotland
The Right Hon. D. JAY, M.P., President of the Board of Trade
The Right Hon. A. CROSLAND, M.P., Secretary of State for Education and Science
The Right Hon. D. HOGHTON, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. F. COUSINS, M.P., Minister of Technology
The Right Hon. F. LEE, M.P., Minister of Power
The Right Hon. B. CASTLE, M.P., Minister of Overseas Development

The Right Hon. H. BOWDEN, M.P., Lord President of the Council
The Right Hon. J. CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. A. BOTTOMLEY, M.P., Secretary of State for Commonwealth Relations
The Right Hon. A. GREENWOOD, M.P., Secretary of State for the Colonies
The Right Hon. E. LONGFORD, Lord Privy Seal (Items 1 and 2)
The Right Hon. R. CROSSMAN, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. F. PEART, M.P., Minister of Agriculture, Fisheries and Food (Items 3-5)
The Right Hon. T. FRASER, M.P., Minister of Transport

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The following were also present:
The Right Hon. KENNETH ROBINSON, M.P., Minister of Health (Items 2 and 3)
The Right Hon. FREDERICK MULLEY, M.P., Deputy Secretary of State for Defence and Minister of Defence for the Army (Item 1)
Mr. GEORGE THOMSON, M.P., Minister of State for Foreign Affairs (Item 1)
The Right Hon. EDWARD SHORT, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Miss J. J. NUNN
Mr. L. ERRINGTON

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1. The Prime Minister said that the Prime Minister of Nigeria, Sir Abubakar Tafawa Balewa, was arriving in London for discussions on his proposal that a meeting of Heads of Commonwealth Governments should be held in Lagos on 10th January, 1966, to discuss the situation in Rhodesia. This date had been deliberately chosen in an attempt to defer action by Commonwealth Governments on the recent resolution by the Foreign Ministers of African States at the meeting of the Organisation for African Unity that diplomatic relations with the United Kingdom should be broken off if we had not succeeded in crushing the rebellion by 15th December. President Kenyatta of Kenya, who was also opposed to breaking off diplomatic relations, had asked for a meeting of the Security Council to be held that day and African Governments were likely to promote a resolution on Rhodesia using the language of Chapter VII of the United Nations Charter and hence imposing mandatory obligations on member States. In discussion the previous day the Ministers primarily concerned had agreed to instruct the United Kingdom Representative at the United Nations to support such a resolution provided that it was limited to economic sanctions and an oil embargo. While such a resolution would, in the longer term, involve considerable risks for our oversea policy, and there might be pressure for similar resolutions relating to the situation in South Africa, the current balance of advantage lay in supporting it. Indeed, in relation to the immediate situation in Rhodesia it should be advantageous to us by increasing the degree of support by member States for the economic sanctions which the United Kingdom was imposing.

Meanwhile, discussions were being held with the United States Government on joint Anglo-United States measures for the imposition of an oil embargo and for the commencement of an airlift of supplies of petrol, oil and lubricants to Zambia. It was desirable that the announcement of such action should be made before the resolution of the Security Council was passed, since otherwise there would be serious risks to supplies of oil to Zambia. But it was essential that we should only act in concert with the United States and that they should agree to participate in the airlift from the outset.

He himself would be in New York in the very near future and would, if necessary, take part in the discussions in the Security Council.

The First Secretary of State said that the committee of officials concerned with further economic measures against Rhodesia had reported to him that certain decisions were urgently required and that some of them were essential for the effective conduct of the Mission leaving immediately for Zambia under the Minister of State, Commonwealth Relations Office. The most urgent decisions affected contingency planning to maintain the Zambian economy in the event of a break of economic relations between Rhodesia and Zambia. So far we had offered to bear the cost, within a limit of £1 million, of purchases of equipment to increase the capacity of alternative lane
routes for supplies into Zambia. The Zambian Government on the other hand had asked that Britain should bear the entire cost of contingency planning. Officials had now recommended that we should be prepared to accept financial responsibility for the costs of capital equipment and construction work outside Zambia which could be completed or provided within three months from the start of the whole operation, including assistance to improve surface routes in Tanzania. On the other hand, we should insist that Zambia should meet costs arising in Zambia and should finance all purchases of goods and freight charges, even where these would be higher than normal or the goods were required for stockpiling. The limit of our financial commitment should be set at £5 million for approved projects, plus the cost of any airlift on which we agreed to embark. It would be impossible for the Minister of State, Commonwealth Relations Office, to make any progress in his discussions with the Zambian Government unless authority along these lines was given to him immediately. Secondly, officials had recommended that the preparations for mounting an airlift into Zambia by the United Kingdom should be pressed ahead, since it would take several days yet to complete the necessary steps. In particular, discussions were needed with the Tanzanian Government over the use of airfields in that country; and arrangements needed to be made for the chartering of the necessary aircraft. Thirdly, officials had recommended that exports of machinery, vehicles and chemicals to Rhodesia should be banned at an early date in order to increase the pressure on the Rhodesian economy.

In discussion there was general agreement that it was necessary to increase our contribution towards the cost of contingency planning for Zambia along the lines recommended by officials. It would be important not to indicate to the Zambian Government the limit of the commitment which we were prepared to entertain; but the Ministerial mission should have authority to approve arrangements which would involve expenditure up to £5 million, excluding the cost of an airlift. It would be essential not to find ourselves financing projects which were really part of long-term economic development in Zambia. As regards the relation between the £10 million aid to Zambia for which we already had a commitment and the aid for contingency planning, officials had recommended that we should inform the Zambian Government that we could not at this stage commit ourselves to maintaining the £10 million figure in addition to the aid for contingency planning and that we should review the matter with them in the light of all the circumstances after the Rhodesian crisis had been resolved. This aspect of the matter should, however, be further considered by the Ministers concerned.

As regards preparations for an airlift it was pointed out that stocks of petrol and oil in Zambia were at a very low level and that it was most important to increase these stocks before an oil embargo was introduced. There was a strong case, therefore, for starting an immediate airlift of these products as soon as it could be arranged. On the other hand, it was undesirable to accept a definite
commitment to this effect unless the United States Government were prepared to share it with us. So far they had suggested that we should announce a joint oil embargo, together with a wholly United Kingdom airlift into Zambia, on the understanding that they would be ready to reinforce the latter if it proved necessary. A limited undertaking of this kind, however, was insufficient assurance of United States support.

As regards exports, it was suggested that United Kingdom exporters were not, in fact, at present prepared to export to Rhodesia on any significant scale, particularly in the light of the withdrawal of the facilities provided by the Export Credits Guarantee Department.

The Prime Minister, summing up the discussion, said that there was general agreement with the recommendations of the First Secretary of State as regards the financial contribution to be made by the United Kingdom to contingency planning for Zambia, i.e., expenditure on immediately relevant projects to improve the capacity of the surface routes into Zambia up to a maximum of £5 million, plus the cost of any airlift. The upper limit should not, however, be disclosed to the Zambian Government. Instructions should be sent to the Minister of State, Commonwealth Relations Office, in this sense. No action should be taken which would appear to commit the United Kingdom to an airlift into Zambia until the United States Government had agreed to share this responsibility; but preparations for the airlift should be pressed ahead in so far as this could be done without involving a definite commitment. The First Secretary of State should arrange for the Ministers concerned to discuss the relation between our contribution to contingency planning in Zambia and our ordinary financial aid to Zambia and to consider the possibility of a ban on exports of United Kingdom goods to Rhodesia.

The Cabinet—

(1) Agreed to increase the United Kingdom contribution to contingency planning in Zambia on the basis set out in the Prime Minister's summing up of their discussion.

(2) Invited the First Secretary of State to arrange for preparations for an airlift into Zambia to be pressed ahead, without at this stage incurring a definite commitment to operate the airlift as a solely United Kingdom responsibility.

(3) Invited the First Secretary of State to arrange for discussion by the Ministers concerned of the other matters raised during the discussion.
2. The Cabinet considered a memorandum by the Minister of Pensions and National Insurance (C (65) 176) outlining her proposals for reshaping national assistance.

The Minister of Pensions and National Insurance recalled that the Cabinet had invited her to prepare a scheme for remodelling national assistance in order to incorporate as many as possible of the features of the deferred Income Guarantee scheme. Her present proposals included the renaming of national assistance, a number of procedural improvements, and the introduction of certain standard allowances, in place of the present variable allowances, in order to reduce the amount of detailed enquiry which had to be made. Taken together her proposals would remove the less desirable features of the present system and make individuals less reluctant to claim assistance under its new name. Her proposals had been accepted in principle by the majority of the Social Services Committee, provided that the cost could be met within her public expenditure allocation. To achieve this she proposed to limit the next general increase of national insurance benefits, which was planned for 1967, to something less than would be required to keep those benefits in line with the movement of earnings.

She attached the greatest social priority to her proposals which she hoped, subject to the necessary legislation, to bring into operation by the autumn of 1966, when a normal increase in national assistance rates would probably be required. The results of her survey, to be published in the early spring, of the resources of retirement pensioners would show that about 650,000 retirement pensioners had not applied for national assistance despite their underlying entitlement, and that, of these, some 250,000 had no resources which could be disregarded, and were receiving no help from their families. The present national assistance scale rates represented a bare minimum of subsistence; the improvements she proposed were the least that should be done if, as seemed likely, no income guarantee scheme could be introduced before 1970. Moreover, her proposals would assist in ensuring the defeat of a further Private Member’s Bill to provide retirement pensions for persons not eligible for them.

She accordingly sought the Cabinet’s approval, as a matter of social priorities, of her proposals for remodelling national assistance and for limiting the next general increase in national insurance benefits to the extent required to bring the cost within her programme of expenditure. She was pursuing separately the associated organisational changes.

The Chief Secretary, Treasury, said that the Minister’s proposals posed in an acute form the choice between the commitment to increase national insurance benefits in line with the movement of earnings on the one hand, and, on the other, a limitation of such increases in order to concentrate resources selectively on means-tested benefits. This choice had not been so apparent when the proposals had been considered by the Social Services Committee. If the Government decided to limit the next benefit increase in this way, it would be essential to announce that intention at the same time.
as the national assistance proposals were published. The Minister’s proposals would add to the budgetary difficulties in the coming financial year; in particular her proposal to give a new standard allowance of 7s. 6d. in partial substitution for the present discretionary additions would account for some £27 million out of the total cost of £32 million of her scheme. The implications of the choice now facing the Government, and of the need for a public announcement of any intention to limit a future benefit increase, ought to be further considered by the Social Services Committee who should also consider how far the proposed new standard allowance of 7s. 6d. was essential to the Minister’s scheme.

In discussion the Minister’s proposals were generally welcomed. While there was a need for a fundamental review of strategy in regard to benefits and assistance in order to rationalise the present provisions and re-establish the priority given to the relief of poverty, the Minister’s proposals would be a step in this direction, since they diverted resources from unselective general benefit increases to selective provision for the most needy; but they left little room for expenditure on any other improvements up to 1970 unless resources were further diverted from general benefit increases. It was argued, however, that, if pressure to give the full earnings-related benefit increases was to be resisted when the time came to make them, it would be essential that the intention to limit the increases should have been made clear when the improvements in assistance were announced. A limitation on future benefit increases could most easily be justified in the context of the improvements in national assistance as expressing a coherent philosophy. On the other hand there was a risk of arousing unnecessary criticism by a premature announcement and in any event it would be important that the announcement should emphasise that even the limited increase in benefits was likely to improve their real standard rather than the fact that this would fall short of a full earnings-related benefit.

In further discussion the following main points were made:

(a) It would be important to delay the announcement of the changes for as long as possible in order to reduce the time that would elapse between the announcement and its implementation in the autumn of 1966.

(b) If there were no need for an early announcement there might be advantage in deferring a decision on the proposed standard allowance of 7s. 6d. for the old and others who had been on assistance for a long time, in view of its cost. On the other hand, this proposal was an essential part of the Minister’s scheme. It would substantially reduce the number of enquiries that had to be made and, without it, there would be no significant improvement in the financial provision to be offered those on assistance in the absence of the income guarantee.

(c) While within the national assistance field this allowance would benefit most those who had no special needs, the income guarantee would have had a similar effect.
The Prime Minister, summing up the discussion, said that the Cabinet welcomed the Minister's proposals generally as concentrating available resources where they were most needed. While it would be necessary to associate with the announcement of the assistance changes a statement about the limitation of the next benefit increase, the timing and wording of the announcement would need further consideration. He would discuss with the Minister and the Chancellor of the Duchy of Lancaster the question of further organisational changes which raised machinery of Government issues.

The Cabinet—

(1) Approved C (65) 176.

(2) Invited the Minister of Pensions and National Insurance to consider, in consultation with the Lord President of the Council, the timing of the announcement of the proposed changes.

(3) Invited the Minister of Pensions and National Insurance to circulate in due course to the Ministerial Committee on the Social Services the terms of a statement on the proposed changes.

(4) Took note that the Prime Minister would discuss with the Chancellor of the Duchy of Lancaster and the Minister of Pensions and National Insurance changes in organisation of the Ministry of Pensions and of the National Assistance Board.

3. The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (C (65) 178) about a proposal to increase the charge for school meals.

The Chancellor of the Duchy of Lancaster said that the Social Services Committee had been unable to reach agreement on a proposal to increase the charge for school meals in the coming April to Is. 6d., or at least Is. 4d. It had been argued in favour of the proposal that the increase in the cost of the meal since the charge of Is. 0d. was fixed in 1957 had resulted in an increase from 50 per cent to 62\frac{1}{2} per cent in the share of the cost borne by the Exchequer and that it was contrary both to common sense and to Socialist principle to allow the subsidy to rise in a period when real incomes were also rising. Given an increase of 55·6 per cent in average earnings since 1957, the proportion of the family income spent on school dinners would remain less, even if the charge were put up to Is. 6d., than it had been in that year. The saving to the Exchequer from the full increase would be £15 million in 1966–67, rising to £19·5 million in 1969–70; and the money could be better employed in other parts of the educational service, for example, on the minor works urgently required to improve sub-standard schools. If the charge remained at Is. 0d., however, the increase in the school meals charge would mean a large rise in the debt charge in the years immediately ahead.
population and in the proportion of children taking the school dinner would raise the charge to the Exchequer from £75 million in the present year to £94 million in 1969-70.

On the other hand the Secretary of State for Scotland had argued that it would be wrong to change the pattern of family support by increasing the parental share of the cost of the school meal until the current studies of family support and of the relationship between help in cash and help in kind had been completed; that to increase the charge to 1s. 6d. would bear hardly on families just above the level at which charges were remitted; that to make the increase at present would be politically inopportune; and that it was unlikely to be rendered more acceptable to the public by being presented as the only way of financing improvements in school buildings. The Social Services Committee had recognised that the review of family support would take at least two years, as would a social survey specifically designed to establish the place of the school meal in family nutrition; but the Committee had hesitated to agree at present to an increase to either 1s. 6d. or 1s. 4d.

In discussion it was pointed out that a charge which, for a family with three children, would amount to 22s. 6d. a week, would be liable to cause hardship for families with incomes between £15 and £20, which were below the national average but just above the level which would attract remission, and would be inconsistent with other measures, such as the Rating Bill, which were particularly designed to help this income group. Moreover, a charge involving an increase of 7 per cent in the amount which a typical family in this group spent on food might well be prejudicial to the Government’s policy of seeking restraint on wages and to the increasing employment of married women in industry since this depended on the continued availability of arrangements to ensure that their children had their midday meal at school. It would also draw attention to the fact that family allowances had not been increased since the price of the school meal was last fixed; and it would undoubtedly be strongly opposed by the Government’s own supporters. To continue the subsidy even at a rising rate, however, would cost less than to increase family allowances; and, while it might be logical to raise the charge sufficiently to restore the parents’ contribution to 50 per cent of the cost, it was arguable that the provision of a substantially subsidised school meal was a social service and should not be considered as a means of finding money required for educational purposes. If it must be so considered, then it could reasonably be given priority over minor works on school buildings, however desirable these might be. It was suggested, on the other hand, that the opposition to increased charges which was to be expected in the House of Commons might not reflect the opinion of the public at large, who might well accept that the parental contribution should keep pace with the rising cost of the meal and might consider it inappropriate to spend increasing sums on this particular aspect of social welfare. If the charge were not increased in the near future, it would not seem possible to increase
it in advance of major changes in the system of social security and family endowment.

The Prime Minister, summing up the discussion, said that, while the Cabinet appreciated the anxiety of the Secretary of State for Education and Science to find money for the improvement of sub-standard schools, they did not consider that it would be appropriate at present to make any increase in the cost of school meals. This did not necessarily imply, however, that the charge need remain at its present level for a long time ahead.

The Cabinet—

Agreed that there should be no change at present in the charge for school meals.

4. The Cabinet considered a memorandum by the Minister of Transport (C (65) 177) to which was appended the draft of a White Paper on Road Safety Legislation.

The Minister of Transport recalled that the Cabinet had approved, earlier in the year, the provisions of a Road Safety Bill relating to drink and driving. The Bill would not, however, be ready for publication before Christmas; and it had therefore been agreed by the Home Affairs Committee that a White Paper on its provisions should be published to take the place of the customary Christmas propaganda campaign on drink and driving. The second part of the White Paper dealt with the safety of lorries, about which there was much public concern, and would make the goods vehicle provisions of the Bill itself the easier to understand. The White Paper had been redrafted to meet points raised in discussion by the Home Affairs Committee.

The Cabinet—

Approved C (65) 177 and the draft of the White Paper appended thereto, subject to any minor points of drafting which Ministers might wish to raise direct with the Minister of Transport.

5. The President of the Board of Trade said that the statistics of United Kingdom trade in November would be published that day. The figure for exports was the second highest on record; and, although the level of imports was still high, the trade gap was smaller than in many recent months. Above all, it was encouraging that the figure for exports over the first 11 months of 1965 showed an increase of 7 per cent above the level of the preceding year.

In discussion it was suggested that, though this improvement was to be welcomed, there remained an urgent need for a further effort to increase exports. It was important both that existing
exporters should raise their level of exports and that manufacturers who did not at present export should be induced to do so. There might be some advantage in setting a target figure for the increase which should be sought by all existing exporters if we were to ensure a satisfactory balance of payments. If such a campaign were launched, it would be important not only that Ministers with responsibilities for particular industries should secure their co-operation but also that Ministers without economic responsibilities should play their full part in the campaign. On the other hand there might be disadvantages in establishing export targets with too much precision; nor was a campaign of the kind envisaged necessarily the most effective way of increasing exports.

The Cabinet—

Invited the First Secretary of State to arrange for the Ministerial Committee on Economic Development to consider the relative advantages and disadvantages of a further Government campaign to increase exports on the lines suggested in discussion.

_Cabinet Office, S.W.1,
14th December, 1965._
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 16th December, 1965,
at 10.30 a.m.

Present:
The Right Hon. GEORGE BROWN, M P, First Secretary of State and
Secretary of State for Economic Affairs (in the Chair)
The Right Hon. HERBERT BOWDEN, M P, Lord President of the Council
The Right Hon. Sir FRANK SOKCICE, Q C, M P, Secretary of State for the
Home Department
The Right Hon. WILLIAM ROSS, M P, Secretary of State for Scotland
The Right Hon. ANTHONY GREENWOOD, M P, Secretary of State for the
Colonies
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. RICHARD CROSSMAN, M P, Minister of Housing and Local
Government (Items 4 and 5)
The Right Hon. R. J. GUNTER, M P, Minister of Labour (Items 1-4)
The Right Hon. FRED PEART, M P, Minister of Agriculture, Fisheries
and Food (Items 1-5)
The Right Hon. TOM FRASER, M P, Minister of Transport

The following were also present:
The Right Hon. ROY JENKINS, M P, Minister of Aviation (Item 4)
LORD SHACKLETON, Minister of Defence
for the Royal Air Force (Item 4)
The Right Hon. EDWARD SHEPT, M P, Parliamentary
Secretary, Treasury (Items 3-6)

Secretariat:
Mr. P. ROGERS
Mr. D. S. LASKEY
Mr. J. H. LOCKE

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The First Secretary of State informed the Cabinet that negotiations had now been completed in principle for the acquisition, jointly by the Government and Lord Thomson of Fleet, of the shipyard assets of the Fairfields Shipbuilding and Engineering Company. Certain details relating to the precise amount of equity capital still remained for discussion. Mr. Stewart had been invited to be chairman of the company and the managing director would be the manager of the adjoining shipyard. The Board would include representatives of the Government, the Scottish Trades Union Congress and neighbouring shipbuilding and shipowning firms. As soon as the detailed arrangements were completed a paper would be circulated to the Cabinet.

Meanwhile Reardon-Smith still maintained their order for two ships but could not continue to do so much longer in the absence of an assurance that the yard would remain in operation until they were completed. He would therefore make a statement in the House of Commons that afternoon on the effective completion of the negotiations.

In discussion it was suggested that the financial basis on which the new company was being formed might, having regard to the tax loss on the previous company, be relatively beneficial to Lord Thomson. It was however pointed out that this advantage would accrue to any firm acquiring the assets and that the financial arrangements represented a satisfactory balance of financial contribution and interest by both sides.

The point was also made that it would be important that the Government should have the power not only to appoint but also to dismiss the Chairman.

The Cabinet—

   Took note, with approval, of the statement by the First Secretary of State.

3. The Minister of State for Foreign Affairs (Mr. Thomson) said that the day of the ultimatum for breaking off diplomatic relations with the United Kingdom which had been agreed at the recent meeting of Foreign Ministers of African States at the Organisation for African Unity (OAU) had now expired. In the event only four States, Guinea, Congo (Brazzaville), Tanzania and Ghana had actually carried out the resolution and broken off relations. A number of other States might, however, only have deferred their decision to do so in the light of the agreement to hold a further meeting of the OAU on 21st December and much
would depend on the outcome of the Prime Minister's forthcoming statement to the General Assembly of the United Nations and of the discussion which was likely to be held in the Security Council on a resolution which would make mandatory the imposition of economic sanctions on Rhodesia.

Meanwhile there had been substantial progress in obtaining the voluntary agreement of the countries primarily concerned not to buy Rhodesian goods. Germany as well as the Benelux countries had now banned imports of tobacco; and the ban on tobacco would now affect 90 per cent of the Rhodesian crop.

The First Secretary of State said that the Ministers primarily concerned had had further discussion the previous evening on the imposition of an oil embargo jointly with the United States and on the proposed joint agreement with the United States on an airlift to Zambia. Although there were dangers in embarking on an oil embargo before we had completed arrangements for Zambia, a telegram had been sent to the Prime Minister informing him of Ministers' agreement that, if he considered it desirable, an Order in Council should be made banning oil imports into Rhodesia. Although the scale of the United States offer on the airlift was regarded as inadequate, and it was hoped that the President of the United States would agree to increase it, it could nevertheless be accepted, since once the United States Government were committed on a limited scale, they would increase their support if necessary. It would be for the Prime Minister to decide in the light of his discussions at the United Nations and with the President on the timing of any announcement.

It must be recognised that, while this decision was important to the Government's policy in relation to Rhodesia, it nevertheless incurred serious risks that in the upshot supplies of fuel and power from Rhodesia to Zambia might be cut off with consequent serious damage to our copper supplies.

In discussion the following points were made:

(a) A ship carrying a cargo of Rhodesian sugar was reported as having left Hamburg for Antwerp in consequence of the refusal of the Federal German Government to allow it to be bought in Germany. The precise position was however obscure and all necessary steps should be taken to ensure that a market was not found for this cargo.

(b) The consequences of the severance of diplomatic relations with certain African countries, both for our general policy and in particular for the continuation of our aid, should be further considered by Ministers. There was general agreement that in doing so we should avoid any precipitate action which might further exacerbate relations.

(c) The change of the Cabinet's decision to suspend the payment of United Kingdom pensions to pensioners living in Rhodesia, save where payment was desirable on humanitarian grounds, had been taken at short notice by the Ministers primarily concerned with the Rhodesian situation, in the light of developments both in Rhodesia
and in the United Kingdom and because it had proved quite impracticable to make effective arrangements in Rhodesia to distinguish between cases which involved hardship and others.

The Cabinet—

(1) Took note of the statements by the First Secretary of State and the Minister of State for Foreign Affairs.

(2) Invited the President of the Board of Trade, in consultation with the Minister of Agriculture, to arrange for officials to investigate urgently the measures which might be necessary to prevent the cargo of Rhodesian sugar from finding a market.

(3) Invited the Commonwealth Secretary and the Minister of Overseas Development to circulate to the Defence and Overseas Policy Committee a joint memorandum on the consequences for our policy and for the provision of aid of the severance of diplomatic relations with certain African States.

4. The Cabinet considered a memorandum by the Minister of Aviation (C (65) 180) on the Space Policy Review.

The Minister of Aviation said that the Ministerial Committee on Joint Research and Development had concluded that in spite of the political difficulties we should seek to terminate our commitment to the European Launcher Development Organisation (ELDO). Continued expenditure could not be justified on economic or technological grounds and there was a risk that, if the Organisation became more deeply committed to present programmes, their subsequent abandonment would do greater damage to the cause of European collaboration. It was, however, important that we should seek to terminate our commitment in the manner best calculated to minimise the political damage of withdrawal. We should therefore give no abrupt notice of withdrawal at the meeting of the ELDO Council to be held on 20th December and should not announce that our contribution would be terminated at the end of March 1966. We should support the proposal for a European Space Review which might prove the best means of persuading the other members of ELDO that the present programmes should be terminated. This might mean that we should have to be prepared to contribute to ELDO until the end of 1966, though we would hope that the outcome of the Space Review would enable us to terminate our commitment earlier.

On the assumption that we would extricate ourselves from ELDO, most members of the Committee had been in favour of proceeding with the BLACK ARROW programme, at a cost of about £5 million a year over the next five years. To withdraw from ELDO and at the same time to proceed with a national launcher project would, however, create a bad impression in Europe and
would not accord with the recommendations of the Report of the Committee of Enquiry into the Aircraft Industry (Plowden Committee). The Joint Research and Development Committee had therefore recommended that we should examine the possibility of inviting the participation in the BLACK ARROW programme of any of our ELDO partners who might wish to take part in it. This proposal had been examined by officials since the meeting of the Committee, but it appeared that there was no real scope for international participation in the development or production of BLACK ARROW itself. There might, however, be possibilities for international collaboration in relation to the space programme as a whole in which BLACK ARROW could play a part, though this would require further examination. No final decision should therefore be taken on the BLACK ARROW programme at the present stage, but it should be endorsed in principle subject to further study of the possibility of European collaboration.

The Chief Secretary, Treasury, said that he welcomed the decision to terminate our commitment to ELDO. We were only committed until the end of the present year and in order to avoid further nugatory expenditure it was important that a firm decision be taken now that we should not contribute beyond the end of March 1966. If there were to be a European Space Review this should be completed by that date. As regards BLACK ARROW it was accepted that this could not be justified on economic or military grounds. This was largely a prestige project and expenditure on it would be disproportionate to any advantage to be derived from continuing work in this field of space research. Moreover, it was admitted that to continue with a national launcher programme when we withdrew from ELDO would be open to political objections. We should therefore not continue the BLACK ARROW programme.

In discussion it was generally agreed that our continued participation in ELDO could not be justified. It was suggested that in order to avoid further nugatory expenditure we should announce our decision to withdraw forthwith and that this would do less damage to our position in Europe than to attempt at this stage to conceal our ultimate intentions from our ELDO partners. The general view was, however, that time would be required to convince the other members of ELDO that the present programmes must be abandoned; we should also need to take into account the effect of such action on the Australian Government in connection with the use of Woomera. The proposed European Space Review might be a means of achieving our objective, but this would require further consideration. The review might take too long and might also result in proposals for further expensive projects. The review might also result in embarrassment to the European Space Research Organisation which might be unwilling to join in such a review with ELDO, partly because the membership of the two organisations was different.

As regards the BLACK ARROW programme it was suggested that this would involve heavy expenditure which could more usefully be devoted to projects of social value in the United Kingdom. On the other hand it was argued that it would be damaging to our wider
technological interests if the United Kingdom were to withdraw from the field of space research even although the money spent might well not always bring an economic return. It would, however, be necessary to examine the proposed expenditure on BLACK ARROW in relation to other claims on the Government's resources.

The First Secretary of State, summing up the discussion, said that there was general agreement that we should work towards terminating our commitment to ELDO at the earliest practicable date, taking account of the need to minimise the political damage of withdrawal. Officials should give further consideration to the line to be taken by the United Kingdom representatives at the meeting of the ELDO Council on 20th December, including the arguments for and against the proposal for a European Space Review. It was also agreed that no immediate decision should be taken on the BLACK ARROW programme though the Cabinet were favourably disposed towards it in principle; this should be further considered both as regards the merits of the programme itself and in relation to the possibility of international co-operation. Expenditure on the programme would need to be considered by the Committee on Public Expenditure.

The Cabinet—

(1) Agreed that we should work towards terminating our commitment to ELDO as soon as was practicable, taking into account the need to minimise the political damage of withdrawal.

(2) Invited the Minister of Aviation to arrange for further consideration of the BLACK ARROW programme in the context of the possibilities of European co-operation in space activities.

5. The Cabinet considered a memorandum by the President of the Board of Trade and the Minister of Agriculture, Fisheries and Food (C (65) 179) on imports of broiler chickens from Denmark.

The Minister of Agriculture said that in 1964 and the first part of 1965 imports of broiler chickens from Denmark had increased substantially and the National Farmers' Union, together with the National Association of Poultry Keepers, had made an application for the imposition of an anti-dumping duty. It had been agreed by Ministers that this was a clear case of dumping and that the imports constituted a threat of material injury to the United Kingdom industry but that we should try to persuade the Danes to limit their exports to us to 6,500 tons a year, as compared with a rate of 13,000 tons during the first half of 1965 and 7,500 tons in 1964 and with an average of only 1,000 tons over the previous four years. In that event we were prepared not to impose an anti-dumping duty. The Danes so far had refused to agree to any
limit lower than 8,000 tons. Any figure higher than 6,500 tons was however unacceptable. Our poultry industry was not subsidised and had suffered serious economic difficulties at certain times which had been accentuated by the Danish dumping. The National Economic Plan had provided for a substantial expansion of poultry meat production to meet increasing consumption; and it would be difficult to persuade the industry that it was reasonable to embark on such an expansion unless the Government showed that they were determined to protect it against unfair competition. Imports from Denmark were by no means negligible, being worth some £2 million a year. We had made many agricultural concessions to Denmark, including the recent revision of the Bacon Market Sharing Agreement. It would be quite wrong for us to make any further concessions to them on this issue.

The President of the Board of Trade said that the only question now remaining for decision was whether we should accept a limit of 8,000 tons as against our own suggestion of 6,500 tons. There was serious difficulty in refusing to accept the Danish figure. The Board of Trade had to be satisfied that the continuation of the Danish imports would materially injure the United Kingdom industry. It was difficult to contend that imports of 8,000 tons, or less than 3 per cent of domestic production, definitely restricted to this level, could cause material injury (especially while admitting that a level of 6,500 tons would not). There was, therefore, no legal basis for imposing an anti-dumping duty. Moreover, if the Danish Government took the matter to the General Agreement on Tariffs and Trade (GATT) it was quite possible that other countries would take the view that there was no case for imposing an anti-dumping duty.

In discussion the following points were made:

(a) It was undesirable to create difficulties in our general political relations with Denmark by making an issue of this relatively small point. As against this, the Danish Government had recognised that they were on very weak ground in this matter and were expecting us to drive a hard bargain.

(b) Although the imports from Denmark were a small proportion of our total supplies, they could have significant effect upon the state of the United Kingdom market, particularly at periods of over supply.

(c) It would be difficult to explain to our own farmers the acceptance of a continued high level of imports from Denmark when the trade had only been built up to a significant level by dumping. The concessions which had been made to the Irish Republic in connection with the Irish Free Trade Agreement would cause some difficulty with the United Kingdom agricultural industry and we should avoid a further source of friction immediately before the annual Farm Price Review.

(d) The present balance of trade between us was in favour of Denmark and they had cut down their purchases of United Kingdom coal in order to import coal at subsidised prices from Eastern Europe.
The First Secretary of State, summing up the discussion, said that there was no major issue of principle involved in a choice between the two figures. The Cabinet on balance agreed that we should tell the Danish Government that we were not prepared to accept an undertaking to limit exports to a figure higher than 6,500 tons and that, if they were not prepared to agree, an anti-dumping duty would be imposed.

The Cabinet—

(1) Agreed that the Danish Government should be informed that, unless they agreed to restrict exports of broiler chickens to 6,500 tons a year evenly phased over the year, an anti-dumping duty would be imposed.

(2) Invited the President of the Board of Trade to arrange for the Danish Government to be so informed and in the absence of their agreement to proceed with the imposition of a duty.

6. The Cabinet had before them a memorandum by the Secretary of State for Scotland (C (65) 181) to which was attached a draft White Paper on the Scottish Economy 1965-70.

The Secretary of State for Scotland said that the draft White Paper had been approved by the Ministerial Committee on Economic Development. The size of the forestry planting programme, which was the only remaining point of substance then outstanding, had now been settled. Parliament had originally been informed that it was hoped to publish the White Paper in December. It should however include a statement of the extension of the present development regions to cover almost the whole of Scotland together with some broad indication of the inducements for the location of industry but the final text could not be settled until Ministers had reached a decision on the scheme for investment grants. Publication before January was therefore impracticable.

The First Secretary of State said that unexpected difficulties had emerged in the consideration of the new scheme of investment incentives but it was hoped that a decision could be taken on it by early in January. It would therefore be preferable to delay the publication of the White Paper and amend it in accordance with the decision, since there were objections to making any incomplete announcement about regional incentives.

The Cabinet—

(1) Invited the Secretary of State for Scotland, in consultation with the First Secretary of State and the President of the Board of Trade, to give further consideration to the drafting of the sections on regional incentives for industry in Scotland in the light of the Government's decision on the new scheme of investment incentives.
(2) Invited the Secretary of State for Scotland, in consultation with the Lord President of the Council, to give further consideration to the date of publication of the White Paper in the light of Conclusion (1).

(3) Subject to Conclusions (1) and (2), approved the draft White Paper on the Scottish Economy.

Cabinet Office, S.W.1.
16th December, 1965.
CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Tuesday, 21st December, 1965,
at 10 a.m.

Present:
The Right Hon. Harold Wilson, M.P., Prime Minister (Items 1-3)
The Right Hon. George Brown, M.P.,
First Secretary of State and Secretary of State for Economic Affairs (in the Chair for Item 4)
The Right Hon. Lord Gardiner,
Lord Chancellor
The Right Hon. Denis Healey, M.P.,
Secretary of State for Defence
The Right Hon. Arthur Bottomley, M.P.,
Secretary of State for Commonwealth Relations (Items 1-3)
The Right Hon. James Griffiths, M.P.,
Secretary of State for Wales
The Right Hon. Douglas Jay, M.P.,
President of the Board of Trade
The Right Hon. Anthony Crosland, M.P.,
Secretary of State for Education
The Right Hon. Douglas Houghton, M.P.,
Chancellor of the Duchy of Lancaster
The Right Hon. Frank Cousins, M.P.,
Minister of Technology
The Right Hon. Frederick Lee, M.P.,
Minister of Power
The Right Hon. Barbara Castle, M.P.,
Minister of Overseas Development

The following were also present:
Mr. George Thomson, M.P., Minister of State for Foreign Affairs (Items 1-3)
The Right Hon. Sir Elwyn Jones, Q.C., M.P., Attorney-General (Items 1-3)
The Right Hon. Edward Short, M.P.,
Parliamentary Secretary, Treasury

Secretariat:
Sir Burke Trentham
Mr. P. Rogers
Mr. D. S. Laskey
Mr. J. H. Locke

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1. The Cabinet were informed of the business to be taken in the House of Commons before the Recess.

2. The Prime Minister said that, as the Cabinet would be aware, a number of the African delegations had boycotted his address to the United Nations. We knew that in so doing some of the delegates had acted contrary to the views of their Heads of State.

In his discussions in Washington he had found that the position of the United States Government over Rhodesia had changed and the President had assured him of full United States support. It had therefore been possible to reach agreement quickly on the imposition of the oil embargo against Rhodesia.

He had also discussed the question of nuclear sharing by Germany and had expressed the view that the right machinery had now been established in the North Atlantic Treaty Organisation (NATO) and that the first step would be for the Federal German Government to explain what they wanted. It was clear that the project for a Multilateral Force was now dead and that if any allied nuclear force were required this should be based on our proposal for an Atlantic Nuclear Force. It might not now be necessary for any such force to be constituted and the Federal German Government might be satisfied with the consultative arrangements which were being developed in NATO. The President had made it clear that it would be for the European countries to consider what they required and the United States Government would not seek to impose a solution on them.

He had given a full account of our thinking on the Defence Review and had made it clear that we wished to take account of United States views and had reached no decisions in advance of receiving them. The United States reaction had been encouraging and Mr. McNamara, the United States Secretary of Defense, had been sympathetic to the idea that the United Kingdom should play a larger role in relation to Africa, where we had a position and responsibilities which the United States did not possess, than in Asia and the Far East. Mr. McNamara had expressed the view that some reduction in United Kingdom forces in Germany might be possible and had indicated that he had certain ideas about reducing the foreign exchange burden of the Allied forces stationed in Germany. It would now be for the Defence and Oversea Policy Committee to consider the next stage in the Defence Review in preparation for the more detailed discussions which the Foreign Secretary and the Secretary of State for Defence would have with the United States and other Allied Governments towards the end of January. The Cabinet would of course be kept informed.

For the United States Government, Vietnam was of overriding importance and the President had made it clear that he was most concerned to secure a peaceful settlement. The United States Government had the full support of their public opinion for a
vigorous prosecution of the war and they could not themselves take repeated initiatives to secure negotiations since to do so would weaken their position. They would, however, welcome any initiative which the United Kingdom, as providing the Co-Chairman of the Geneva Conference, could take to promote negotiations. The President had given him this assurance both in private and at a full meeting with advisers present.

In discussion of the Asian Development Bank he had explained that we could not increase our contribution within our total aid ceiling unless the United States Government were prepared to help us elsewhere. Mr. George Ball, of the United States State Department, had agreed to consider whether an arrangement on these lines could be devised whereby the United States Government might, for instance, take over some of our aid responsibilities in Africa. Mr. McGeorge Bundy had also indicated that the Ford Foundation, of which he was about to become President might be able to help. This matter might best be pursued by the Treasury Representative in Washington.

After his visit to Washington he had had friendly discussions in Ottawa with the Canadian Government. It was most satisfactory that the Canadian Government had since offered four C-130 planes for the air lift to Zambia.

In discussion reference was made to the peace overture which Signor La Pira, the former Mayor of Florence, had claimed to have received in Hanoi. It was pointed out that this had been made public by the Italian Government and not by the United States Government. Little reliance could be placed on Signor La Pira’s report and his claim had been repudiated by the North Vietnamese authorities.

The Cabinet—

(1) Took note, with approval, of the Prime Minister’s statement.

(2) Invited the Chancellor of the Exchequer, in consultation with the Minister of Overseas Development, to arrange for further discussions with the United States Government on United States help over the aid programme in order to enable the United Kingdom to increase its contribution to the Asian Development Bank.

3. In relation to Rhodesia, the Cabinet first discussed the measures necessary to further the oil embargo. The following points were made:

(a) If a blockade of Beira to enforce the embargo proved necessary, this could not be carried out by United Kingdom naval forces alone. HMS Eagle had in fact been withdrawn, but it would not be advantageous to make this public in the course of the forthcoming debate in the House of Commons. An unqualified assurance could not be given that, whatever the circumstances, Parliament would be recalled if it became necessary to institute a blockade during the Recess.
(b) The response of Portuguese Government to the measures which had been taken to impose economic sanctions and an oil embargo on Rhodesia had been as forthcoming as could reasonably be expected and this attitude would no doubt be maintained as long as the Portuguese Government recognised that we were determined to bring about the downfall of the illegal régime. It would be necessary to make use of Beira airport if the airlift to Zambia were to be increased to the necessary level, owing to the limitations of the Dar-es-Salaam airport and of the route via the Congo.

(c) The necessary steps should be taken to ensure that supplies of oil from South Africa did not reach Rhodesia via the Bechuanaland railway.

The Cabinet—

1. Invited the Minister of State for Foreign Affairs, in consultation with the First Secretary of State and the Commonwealth Secretary, to seek the agreement of the Portuguese Government to the use of Beira airport for the airlift to Zambia.

2. Invited the Colonial Secretary, in consultation with the First Secretary of State and the Minister of State for Foreign Affairs, to consider what measures could be taken to prevent supplies of oil from South Africa reaching Rhodesia via the Bechuanaland railway.

The Cabinet then discussed the terms on which the rebellion might be brought to an end and the possible stages of constitutional advance thereafter.

There was general agreement that the Government could not negotiate directly with Mr. Smith and the illegal régime, nor could they accept the resumption of negotiations at the point which these had reached before the illegal declaration of independence. On the other hand, it would be undesirable to impose terms which could be represented as the equivalent of unconditional surrender. This would only harden the determination of the European population as a whole to resist to the end, would prolong the conflict and further and gravely exacerbate race relations throughout Africa. It might therefore be acceptable that the Governor of Rhodesia should be prepared to have discussions with any persons in Rhodesia who were concerned to see a restoration of constitutional government. A condition of agreement would be that control of the armed forces and the police in Rhodesia should be transferred to the Governor and it would probably be necessary to envisage a period of United Kingdom constitutional control for a number of years, during which time there might be an initial period of direct rule, and then a gradual transition to self-government with majority rule, before eventual independence. The terms which would be acceptable to the Government required further consideration, however, and it would be impolitic to make any detailed statement on this issue at the present time.
The Cabinet—

(3) Took note that the Prime Minister would have regard to the points raised in discussion in his statement that afternoon in the House of Commons.

4. The Cabinet considered a memorandum by the First Secretary of State (C (65) 183) about developments in the negotiations for the purchase of the assets of Fairfields shipyard.

_The First Secretary of State_ said that, since the Cabinet’s discussion on 16th December, further difficulties had arisen in the negotiations with private interests about the formation of a joint company for the purchase of the assets of Fairfields shipyard. On 16th December, immediately before he was about to make a statement in the House of Commons, he had learned that Lord Thomson was no longer able to proceed on the financial basis so far discussed. It was therefore no longer possible to proceed on the basis of a fifty-fifty partnership between the Government and any single private interest; and the best alternative was to promote a syndicate of private interests, each of which would put up a relatively modest stake. On this basis both Mr. Stewart and Lord Thomson were prepared to proceed and Sir Isaac Wolfson might also be prepared to subscribe a reasonable share of the equity capital. In addition one union had already agreed to subscribe £50,000 and another had agreed to take part, probably for the same amount. Discussions were continuing with other interests and there seemed a reasonable prospect that up to £2 million of private equity capital could be secured over the next two or three weeks. Immediately, however, it was not possible to rely on more than £1 million being available.

Expert advice was that Fairfields would make losses in the next two or three years because of the terms of the contracts which had been concluded for the ships to be completed in this period; but thereafter it should make a profit, provided that the shipbuilding industry generally continued to be prosperous. If, in practice, it proved possible altogether to abolish restrictive practices in the yard, a profit might be made at an earlier stage. The fact that the trade unions mainly concerned were prepared to invest in the new company was a dramatic indication of their readiness to support efforts to increase the efficiency of operation in the yard.

The participation of Lord Thomson and probably of other private interests was dependent on Mr. Stewart becoming Chairman of the company and a suitable management being installed. Mr. Stewart himself was only prepared to come in on the basis of a fifty-fifty partnership between the Government and private capital. If sufficient private capital could not be obtained, the Government would be faced with the alternative of complete nationalisation or of allowing the shipyard to close. To nationalise this particular yard without getting the new and dynamic management which was required, and in the face of manifest opposition from the shipbuilding industry, would entail unacceptable risks but negotiations with private interests and the Trade Unions should be continued with the aim of
raising £2 million of equity capital, which would be matched by a similar sum from the Government together with £1 million of loan capital from the Government. If necessary, however, the Government should be prepared to go ahead on the basis of a £2 million of private equity capital matched by a similar sum from the Government together with £1 million of loan capital subscribed by the Government. It would be essential to reach agreement with private interests before Christmas, since Reardon Smith were not prepared to continue their contracts with the yard for more than a further week without firm assurances of completion; nor was the Receiver prepared to continue for more than a further week.

In view of the prolonged uncertainty there would be advantage in making a statement that the Government were assured of sufficient support from private interests and the trade unions to justify taking over the shipyard as soon as assurances had been obtained that £2 million of private capital would be forthcoming.

The Chancellor of the Exchequer said that there would be serious disadvantage in the Government continuing with this venture. It was improbable that the new company would make a profit for a considerable time and perhaps it never would. The private interests which subscribed to the new company would at least have the advantage of a share of the tax losses of Fairfields, totalling nearly £2 million, which they could use to offset tax payable on profits at a later date, but there was no reasonable hope on a realistic assessment of obtaining a proper return on the public money which would be invested. In these circumstances the best course was to allow the yard to close and the labour to be absorbed by other firms in the area.

In discussion anxiety was expressed about the probable return on the capital invested by the Government in the yard and the risk that pressure would be brought to place Government contracts with the yard at prices higher than could be secured elsewhere in order to support a company in which the Government had a major financial stake, as had happened in respect of Short Brothers and Harland Limited. It might well be that the private interests concerned were prepared to place limited amounts of capital in the enterprise in the hope that the Government would be forced to protect their own investment in this way. There could be no certainty that restrictive practices would, in fact, be abolished in the yard at a reasonable cost in terms of wage rates; and investment by certain national trade unions in the enterprise gave no assurance of co-operation at the local level. There was, moreover, objection to encouraging trade unions to invest their funds in a project which was, by any judgment, extremely risky.

On the other hand, it was argued that it would be a mistake to abandon the efforts to form a joint company with private capital at the present stage. The discussions with the trade unions at both the regional and national level had shown that they were prepared to envisage the removal in the Fairfields yard of the restrictive practices which had gravely hampered United Kingdom shipbuilding and it
would be unfortunate to allow the shipyard to close at the very moment when the trade unions had indicated their own readiness to invest money in the enterprise. It would be a serious blow to the shipbuilding industry if the yard were to close and the Reardon Smith contracts were to be placed, as seemed likely, with Japanese shipbuilding yards.

It was suggested in consequence that even if £1 million of private capital could not be secured on satisfactory terms it would still be desirable for the Government to acquire the company, but the general view was that it would be undesirable for ownership of the company to be vested wholly in the Government. If, therefore, sufficient private capital could not be secured before Christmas, the Government should announce that all efforts to secure a joint enterprise with private capital had failed and that there was no alternative but to allow the yard to close.

The First Secretary of State, summing up the discussion, said that the general view of the Cabinet was that further efforts should be made to reach an agreement which would keep the yard going through a combination of Government and private capital. The proposal that £1 million of equity capital should be subscribed by the Government with a similar amount by private interests, including the trade unions, was much to be preferred to a scheme involving only £½ million each of private and Government equity capital with a corresponding increase in the provision of loan capital by the Government. On balance, however, the Cabinet considered that, if necessary, the Government should proceed with the acquisition of the assets of Fairfields provided they had secured the participation of £1 million of private equity capital. If this could not be secured before Christmas, the Cabinet were opposed to nationalisation even if this meant that the yard closed. As soon as assurances had been received about the subscription of £1 million of private equity capital, it would be desirable to remove uncertainty by an announcement that the Government had received sufficient assurances of support to enable the assets of Fairfields shipyard to be acquired but negotiations should be continued even after such an announcement with a view to increasing the participation of private capital in the venture up to ££ million.

The Cabinet—

(1) Invited the First Secretary of State, in consultation with the other Ministers concerned, to continue negotiations for the acquisition of the assets of Fairfields shipyard on the basis indicated in his summing up of their discussion.

(2) Invited the First Secretary of State to make an announcement about the acquisition of the yard as soon as there was assurance of the participation of £1 million of private equity capital in the new company.

Cabinet Office, S.W.1,

SECRET
CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 23rd December, 1965,
at 10.30 a.m.

Present:
The Right Hon. H. Wilson, M.P., Prime Minister
The Right Hon. G. Brown, M.P., Lord President of the Council
The Right Hon. H. Bowden, M.P., Secretary of State for Economic Affairs (Items 2–3)
The Right Hon. L. Gardiner, M.P., Secretary of State for the Colonies
The Right Hon. J. Callaghan, M.P., Chancellor of the Exchequer
The Right Hon. A. Bottomley, M.P., Secretary of State for Commonwealth Relations
The Right Hon. W. Ross, M.P., Secretary of State for Wales
The Right Hon. J. Griffiths, M.P., Secretary of State for Defence (Items 1–2)
The Right Hon. A. Crosland, M.P., Secretary of State for Education and Science
The Right Hon. D. Houghton, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. F. Cousins, M.P., Minister of Technology (Items 2–3)
The Right Hon. F. Lee, M.P., Minister of Power

The following were also present:
The Right Hon. F. Willey, M.P., Minister of Food and Agriculture (Item 2)
The Right Hon. Sir E. Jones, Q.C., M.P., Attorney-General (Item 2)
Sir Dingle Foot, Q.C., M.P., Solicitor-General (Item 2)

Secretaria:—
Sir B. Trend
Mr. P. Rogers
Miss J. J. Nunn
Mr. R. T. Armstrong

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1. The Foreign Secretary recalled that after the first ballot for the election of the President of France he had informed the Cabinet that, while the immediate outcome might be to increase our own difficulties in relations with France, in the longer term the outcome might be favourable to us. The reactions to the election of President de Gaulle on the second ballot with a majority of 55 per cent seemed likely to bear out this forecast. It might well be that the European Economic Community would also experience greater difficulties with France in consequence. It seemed probable however that after President de Gaulle ceased to hold office the authority of the French Parliament would be increased. Indeed it might well be that an Assembly with a majority hostile to General de Gaulle would be elected in 1967.

Bechuanaland

The Colonial Secretary said that the agreement of the Prime Minister of Bechuanaland had now been obtained to the admission of United Kingdom troops in uniform in order to guard the BBC transmitter at Francistown. The Ministry of Defence were being so informed in order that the move of troops might begin immediately.

The Cabinet—

Took note of these statements.

2. The Cabinet considered memoranda by the Lord President of the Council (C (65) 184), the Lord Chancellor, the Attorney-General and the Solicitor-General (C (65) 185) and the Minister of Housing and Local Government (C (65) 186) on leasehold reform.

The Lord President recalled that the Labour Party Election Manifesto had pledged the Government to "change leasehold law to enable householders with an original lease of more than 21 years to buy their own houses on fair terms". In order to implement the pledge it was necessary to find means of enabling a leaseholder to enfranchise on terms which did not involve paying for the house, which in social equity already belonged to him. The Ministerial Committee which had considered the problem under his chairmanship had accordingly attempted to divorce the value of the house from that of the land. The proposals put forward by the majority of the Committee would give to the leaseholder who acquired the lease when it had more than 21 years to run, and had occupied the house for three years, the right to an extension of the lease to 999 years at a modernised ground rent, and the right to enfranchise at the market value of the freeholder's interest reduced by the extension. A leaseholder who bought the lease with 21 years or less to run would have the right to enfranchise, but not to an extension of the lease. The freeholder would have the right to resist enfranchisement or extension on the ground that he wanted to occupy the property and would suffer greater hardship than would the leaseholder by inability
to do so. He would be entitled to have the ground rent brought up to date on the extension of the lease, and thereafter every 30 years, and to redevelop during the extension on buying out the leaseholder's interest. The scheme would apply to houses with a rateable value of not more than £400 in London and £200 in the provinces, and to future as well as to existing leases. It would have the advantage of enabling the leaseholder to enfranchise at a price not including the value of the house, to obtain a saleable asset; and, if he could not afford to enfranchise, to enjoy security of tenure at a ground rent. Some members of the Committee, however, were critical of the 999-year extension of the lease on the grounds that it would effect a drastic transfer of value from the freeholder to the leaseholder; benefit in particular the leaseholder who did not wish to remain in occupation and could realise his gain in cash; increase the cost of redevelopment; and make leasehold so unattractive as an investment that as a means of providing owner-occupied housing it might not survive.

A particular problem arose on the application of the scheme to public authorities. Although the point was not mentioned in the Manifesto, a number of Labour Party candidates had undertaken, on the basis of official Party guidance, that enfranchisement would apply against local authorities, and it was arguable that, since the effect of the existing system was equally unjust whether the freeholder was a private individual or a public authority, and some local authorities holding scattered freeholds as investments were indistinguishable from a private landlord, it would be impossible to justify excluding local authorities from the scheme. On the other hand, their inclusion would have serious consequences for the Government's policy on land and housing. Some solution might perhaps be found by drawing a distinction between leaseholds owned by local authorities purely as investment and those purchased with a view to redevelopment or provided by the authority on managed estates.

If the Cabinet considered that the proposals outlined in C (65) 184 went too far, there were possible alternatives, which would preserve the principle of enfranchisement and would either give an extension of the lease for only 21 or 50 years, or give no fixed extension but enable the leaseholder to remain as a statutory tenant at the end of the original lease at either a modernised ground rent or a rack rent, according to the length of the lease he had purchased. Proposals on these lines might reduce the undoubted political difficulty of securing the passage of a measure which could be represented as confiscatory. It might not be possible to secure a Second Reading of the Bill until the Land Commission Bill had completed its Committee Stage in the House of Commons, perhaps in May, but it might be desirable to publish the Bill before Easter and to indicate the Government's intentions in a White Paper published in the New Year.

The Lord Chancellor said that the proposed scheme went beyond the Government's commitments and, because of its confiscatory effect.
would be open to strenuous opposition. It was not disputed that the original freeholder had little or no equitable claim to the reversion of the house, but the proprietary interests would normally have changed hands since the original bargain was struck, and the proposals would apply to persons who had bought their interests at prices reflecting the freeholder's right to the reversion of the house. As the Annex to C (65) 184 indicated, when the lease was near its end and the site had high development value, the benefit conferred on the leaseholder would be considerable. A freeholder who had recently bought the reversion at a high price for redevelopment would find a great deal of what he had paid transferred to the leaseholder. The incidence of gain or loss would be arbitrary and fortuitous, and some of those who would suffer, for example, charities, the universities and the Church Commissioners, could enlist influential support. It would be hard to justify in principle expropriating one private individual for the benefit of another without compensation when it was the practice for a public authority requiring property in the interests of the community to compensate the owner at market value.

The extension of the lease for any fixed period was not an appropriate way of remedying the acknowledged grievances, since a short extension would not benefit the leaseholder and a longer one, even of 21 or 50 years, would have much the same effect upon values as a 999-year extension. There were, however, other means of reducing market value for the purpose of enfranchisement, and arrangements could be made for the leaseholder to pay the capital sum over a period. Further consideration should be given to these possibilities and to the alternative scheme B in paragraph 10 of C (65) 184.

The Minister of Housing and Local Government said that, as Minister responsible for housing, he was anxious that neither enfranchisement nor the extension of the lease to 999 years should apply against local authorities or in new towns. Leasehold was a valuable form of public ownership which made it possible to extend owner-occupation while keeping the ownership of land in public hands. It facilitated comprehensive redevelopment and the proper management of estates, and was the basis of the growth of housing associations which the Government were concerned to encourage. A scheme which virtually confiscated the rights of the landowner would mean the loss of these benefits. It would be possible to justify a distinction between public and private landowners, though probably not to distinguish between freeholds held by local authorities for different purposes; but the 999-year extension, which was the basic difficulty in the proposed scheme, was not necessary for the purposes which the Government sought to achieve. It would be feasible to provide for enfranchisement on acceptable terms without prejudicing the public ownership of land or leasehold development for owner-occupation by applying the concept of the "fair rent" embodied in the Rent Acts to the assessment of a fair market value to be paid on enfranchisement. This might be the market value excluding the value due to scarcity and to the maintenance or improvement of the house by the leaseholder and his predecessors.
In discussion there was general agreement that provision must be made for enfranchisement at a price which the leaseholder could be expected to pay: enfranchisement at market value would not be accepted by the Government's supporters. The means provided for reducing the price of enfranchisement must, however, have regard not only to the strong political feeling on the subject, but also to considerations of equity. The 999-year extension, though attractive as a matter of presentation and against the background of the practice of new towns and of some private landlords, was too extreme in its effects and was not essential to achieve the desired objective. Other means of reducing the price below the market value should accordingly be sought. The solution must have regard to the moderate, though rising, amounts charged in recent years by landlords in Wales, and to the need to give security of tenure, whether by an extension for a shorter period than 999 years or otherwise, to leaseholders who would have retired by the time their leases expired and would be unable to pay either a substantial capital sum or a much enhanced ground rent. The price might be based on the capital value in modern terms of the existing ground rent, as was the practice in Wales, or, alternatively (since a calculation depending on bringing the ground rent up to date would reflect capricious variations in the original ground rent) leaseholders might be given a freehold subject to a rent charge which could be redeemed at a stated number of years purchase. A useful precedent might be found in the Scottish system of enfranchisement which in effect reduced the amount of the capital payment by providing for a continuing payment similar to a rent charge. Further consideration should be given to the extension of the lease to 29 years, or to such period as would cover the life of the existing house; but, if satisfactory means of securing a suitable price for enfranchisement could be found, it might be unnecessary to provide for any extension of the lease, since the leaseholder could obtain security by exercising his right to enfranchise. It would be desirable in principle to apply any new proposals against local authorities, but whether it would be practicable to do so would depend on the nature of the proposals and their probable effect on the leasehold system.

*The Prime Minister,* summing up the discussion, said that the Cabinet were agreed that provision must be made for occupying leaseholders to enfranchise at something less than the market value of the freeholder's interest, but they considered the 999-year extension of the lease an unnecessarily drastic means of reducing market value. The Ministerial Committee should therefore examine, in the light of their discussion and in particular of the need to give security and stability to the leaseholder who had occupied his house for a considerable number of years, the desirability of providing for a shorter extension of the lease and the means of assessing a fair price for enfranchisement. The scheme should, if possible, apply against local authorities but a decision on this must await consideration of new proposals. It was essential that a Bill should be introduced during the present Session, but the timing of its introduction would have to be considered in the light of the progress of other major measures.
A White Paper should be published in the meanwhile, and it would be convenient if the Ministerial Committee could bring further proposals before the Cabinet shortly after the Recess.

The Cabinet—

Invited the Lord President of the Council to arrange for the Ministerial Committee on Legislation on Rent, Land Commission and Leasehold Enfranchisement to consider urgently further proposals for leasehold enfranchisement on the basis indicated by the Prime Minister in his summing up of their discussion.

3. The Cabinet considered memoranda by the Secretary of State for Scotland (C (65) 182) and by the First Secretary of State and Secretary of State for Economic Affairs (C (65) 187) on the salaries of Scottish teachers.

The Secretary of State for Scotland said that English, Welsh and Scottish teachers had all received salary increases in April 1963, the English and Welsh teachers just under 7 per cent to last for two years and the Scottish teachers 10 per cent to last for three years. English teachers had received a further increase of 13 per cent from 1st April, 1965, to last for two years. The negotiating body on Scottish teachers' salaries had agreed recommendations for an increase of 15 per cent for Scottish teachers from 1st April, 1966, to last for two years. Scottish teachers' salaries were regulated by orders made by the Secretary of State. Regulations had to be published in draft and 40 days allowed for representation; after an Order was laid, there was a further period of 40 days during which Members of Parliament could pray against it. An increase of 15 per cent was necessary in order to bring Scottish teachers up to a level comparable with English teachers and to make good the extent to which their salaries had fallen short of those of English teachers over the last three years. Moreover, there was a shortage of teachers in Scotland. If he did not accept the negotiating body's recommendations, there would be a considerable volume of protest, including strikes by Scottish teachers as well as prayers in Parliament. The proposal that the matter should be referred to the National Board for Prices and Incomes (NBPI), with an interim increase in the meanwhile, was not attractive since this would make necessary two separate sets of regulations and would double the number of opportunities for protest and Parliamentary discussion.

The First Secretary of State said that he would be prepared to agree that, following the precedent set by the English teachers, Scottish teachers should receive an increase of 13 per cent, to last for two years; this would in his view do substantial justice to the claims of the Scottish teachers, though it would have presentational difficulties for the Government. There was no doubt that the increase
of 13 per cent for English teachers earlier in the year had prejudiced the Government’s efforts to achieve the objectives of prices and incomes policy. He would not wish to press the proposal for a reference to the NBPI in the face of the objections of the Secretary of State for Scotland, but there were grave objections to an increase of 15 per cent at this point.

In discussion the following points were made:

(a) At a time when the average rise in industrial earnings was running at an annual rate of 8 to 9 per cent, to ask the Scottish teachers to accept 13 per cent to last for two years would mean that they would be getting significantly smaller increases than other groups. This would not only be unfair to Scottish teachers but also tend to discourage other staff associations and unions from entering into long-term settlements. On the other hand it was argued that the value of long-term settlements was questionable in the context of the prices and incomes policy. After the NBPI had reported on the references on the pay of the Armed Forces and the Higher Civil Service, and after the payment of the last instalment due under the current long-term agreement for the non-industrial Civil Service, there would therefore be advantage in having a re-examination of future arrangements for public service pay, which should include a reassessment of the advantages and disadvantages of long-term settlements in the public sector.

(b) The fact that English teachers’ and Scottish teachers’ salaries fell for review at different dates increased opportunities for “leap-frogging”, and it would be desirable to arrive at an arrangement whereby in future the salaries of the two groups of teachers moved in step. The salaries of English teachers were due for their next review on 1st April, 1967. One possibility might be to reach a one-year settlement for Scottish teachers, which would make it possible for the salaries of English teachers and Scottish teachers to be reviewed simultaneously early in 1967, with a view to keeping them level thereafter. But a one-year settlement designed to bring the Scottish teachers to something like parity with English teachers would not be less than 10 per cent and might be 13 per cent or more; and a settlement as high as this to last for only one year would create serious difficulties of presentation in relation to the prices and incomes policy.

(c) Another possibility might be to refer the issue to the NBPI for a quick decision on the amount of the increase required at 1st April, 1966, to bring the Scottish teachers to a point where their salaries could be reviewed at the same time as the salaries of English teachers in 1967. In view of the statutory proceedings with which the Secretary of State for Scotland was required to comply, this would mean asking the Board for a report by early February. It was, however, questionable whether so circumscribed a reference should be put to the Board; it would be preferable to ask them to consider a general reference covering the position of teachers on both sides of the Border. If it were merely a question of deciding the right figure to bring the Scottish teachers into line with the English teachers,
this could well be determined by the Ministers mainly concerned. On the other hand the discussion had shown that this problem involved a number of difficult issues on which it might well be useful to have a ruling by the Board.

The Prime Minister, summing up the discussion, said that it would not be generally satisfactory to accept the 15 per cent increase recommended or to make a settlement for one year only, or to make an immediate reference to the NBPI. In these circumstances the most acceptable course might be to increase the salaries of Scottish teachers by 13 per cent from April 1966, the new salaries to stand for two years, and to ask the Board to consider whether this increase put Scottish teachers in a fair relationship with English teachers; if not, what further adjustment was required to achieve that objective; and what arrangements should be made to ensure that in future the salaries of English and Scottish teachers came up for review simultaneously, in order to minimise the risk of "leap-frogging".

The Cabinet—

(1) Invited the Secretary of State for Scotland to make regulations to increase the salaries of Scottish teachers by an average of 13 per cent from 1st April, 1966.

(2) Invited the First Secretary of State, in consultation with the Chancellor of the Exchequer, the Secretary of State for Scotland and the Secretary of State for Education and Science, to determine the terms of a reference to the National Board for Prices and Incomes on the lines indicated in the Prime Minister's summing up of their discussion.

Cabinet Office, S.W.1.
23rd December, 1965.